BURGER 21™

BURGERS REINVENTED



disclosed.
2017

**FRANCHISE DISCLOSURE DOCUMENT**

**Burger 21 International, Inc.**
**a Florida corporation**
**8810 Twin Lakes Boulevard**
**Tampa, Florida 33614**
**(813) 327-7870**
**info@burger21.com**
**www.burger21.com**
**www.burger21franchise.com**

BUR GER 21 TM

**BURGERS REINVENTED**

The franchise offered is for the operation of a fast casual, better burger concept, that serves lunch and dinner and features 21 chef inspired burgers, plus hot dogs, salads, fries, signature shakes, desserts, a sauce bar, beer and wine and more (a "**BURGER 21® Restaurant**" or "**Restaurant**").

The total investment necessary to begin operation of a BURGER 21® Restaurant ranges from \$413,141 to \$1,055,496. These totals include an initial franchise fee ranging from \$27,000 to \$40,000 that must be paid to us. The estimated initial investment for an area development program ranges from \$433,141 to \$1,145,496 (based on a Development Fee for 2 to 7 Restaurants). Under the Area Development Program, the Development Fee paid at the time you sign the Development Agreement equals ½ the initial franchise fee times the number of Restaurants after the first Restaurant you are scheduled to develop. In addition to the Development Fee, you would also incur the total initial investment for each Restaurant that you open under the Development Agreement.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jim Sullivan, Vice President, Burger 21 International, Inc., Restaurant Support Center, 8810 Twin Lakes Boulevard, Tampa, Florida 33614, (813) 327-7870.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at *www.ftc.gov* for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: October 1, 2017

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit "J" for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT PERMIT YOU TO ARBITRATE OR LITIGATE WITH US ONLY IN FLORIDA. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO LITIGATE OR ARBITRATE WITH US IN FLORIDA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT STATE THAT THE LAW OF FLORIDA GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE.

3. THE FRANCHISOR'S BALANCE SHEET AS OF MARCH 28, 2017 SHOWS A STOCKHOLDERS' DEFICIT IN THE AMOUNT OF ($1,122,731) AND NEGATIVE WORKING CAPITAL IN THE AMOUNT OF ($192.779). REFER TO THE FINANCIAL STATEMENTS FOR COMPLETE DETAILS.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

The effective dates of this Disclosure Document in the states with franchise registration laws in which we have sought registration appear on the following page.

**BURGER 21 INTERNATIONAL, INC.**
**STATE REGISTRATIONS**

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

| STATE | EFFECTIVE DATE(S) |
|---|---|
| California | Effective ___________, 2017 |
| Hawaii | |
| Illinois | Effective ___________, 2017 |
| Indiana | Effective November 16, 2016 |
| Maryland | Effective ___________, 2017 |
| Michigan | Effective November 17, 2016 |
| Minnesota | Effective ___________, 2017 |
| New York | Effective ___________, 2017 |
| North Dakota | |
| Rhode Island | Effective ___________, 2017 |
| South Dakota | |
| Virginia | Effective ___________, 2017 |
| Washington | Effective ___________, 2017 |
| Wisconsin | Effective October 4, 2017 |

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

1. Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

2. A provision that permits a franchisor to terminate a franchise before the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

3. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

4. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

5. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

6. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(a) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(d) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

7. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

8. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise
670 Law Building, 1st Floor
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

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**EXHIBITS:**



APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN AN ADDENDUM OR RIDER.

## ITEM 1
## THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is **BURGER 21 INTERNATIONAL, INC.**, referred to as "**we**," "**us**," or "**our**." We also do business under the name "**BURGER 21®**." "**You**" means a person who buys the right to operate a BURGER 21® Restaurant from us. If you are a corporation, partnership or other entity, certain provisions of our Franchise Agreement also will apply to your owners. This disclosure document will indicate when your owners also are covered by a particular provision.

We are a Florida corporation, formed on May 11, 2011. Our current principal business address is 8810 Twin Lakes Boulevard, Tampa, Florida 33614. Our registered agent for service of process in Florida is Gerard Wehle c/o Drummond Wehle LLP, Terrace Oaks Office Park, 6987 East Fowler Avenue, Tampa, Florida 33617. If we have a separate registered agent for a particular state, it is disclosed in Exhibit "J." We conduct business under our corporate name and under the trade and service marks "BURGER 21®," and associated logos, designs, symbols and trade dress. See Item 13.

**Our Parents, Predecessors and Affiliates**

Our parent is Scratch Concepts, LLC ("**SCL**"), a Florida limited liability company, formed on January 18, 2012. SCL's current principal business address is 8810 Twin Lakes Boulevard, Tampa, Florida 33614, and its registered agent for service of process in Florida is Gerard Wehle c/o Drummond Wehle LLP, Terrace Oaks Office Park, 6987 East Fowler Avenue, Tampa, Florida 33617. SCL has no obligations to franchisees and does not provide any services to franchisees.

We are affiliated, through common ownership, with the following restaurant concepts:

- Burger 21, Inc. ("**B-21**") is a Florida corporation, formed on March 30, 2010, whose address is the same as ours. B-21 does not operate a Restaurant of the same type as the one being franchised. It was formed as the parent company and Managing Member of our affiliates that own and operate BURGER 21® Restaurants (the "**Burger 21 Entities**"). As of March 29, 2016, the Burger 21 Entities own and operate 4 BURGER 21® Restaurants at the following locations: 9664 W. Linebaugh Avenue, Tampa, Florida 33626; 11777 North Dale Mabry Highway, Tampa, Florida 33618; 1601 Town Center Drive, Lakeland, Florida 33803; and 20304 Trout Creek Drive, Tampa, Florida 33647. Neither B-21 nor any of the Burger 21 Entities has offered franchises for this or any other business or conducted business in any other lines of business. They do not provide products or services to our franchisees.

- Front Burner Brands, Inc. ("**FBB**"), formerly known as TGS Restaurant Management, Inc., is a Florida corporation, whose current business address is 7886 Woodland Center Boulevard, Tampa, Florida 33614. FBB was formed on March 10, 2000. FBB manages the 2 THE MELTING POT® Restaurants franchises owned by some of our other affiliates that are located in St. Petersburg and Sarasota, Florida. FBB also provides management and administrative services and supports operations for our affiliate, The Melting Pot Restaurants, Inc. FBB does not offer, and has not offered, franchises of any type, nor does it offer services to our franchisees. FBB has not conducted a business of the type to be operated by you.

- The Melting Pot Restaurants, Inc. ("**TMPRI**"), is a Florida corporation, whose current business address is 7886 Woodland Center Boulevard, Tampa, Florida 33614. TMPRI was formed August 14, 1984 and is owned by one of our shareholders, directors and officers. TMPRI has been offering franchises for THE MELTING POT® restaurants since September 1984. TMPRI does not operate any THE MELTING POT® restaurants. There were 116 franchised THE MELTING

POT® restaurants operating in the United States as of March 28, 2017. TMPRI does not provide products or services to our franchisees. TMPRI has not conducted business in any other line of business.

- Grillsmith Restaurant Group, Inc. ("**GRG**") is a Florida corporation, whose address is the same as ours. GRG was formed on March 20, 2002 and is owned, in part, by one of our shareholders, directors and officers. GRG manages GRILLSMITH®, a casual dining concept that features steaks, burgers and seafood. There were 4 GRILLSMITH® restaurants operating in the United States as of March 28, 2017. GRG does not engage in any other business activities and has not offered franchises in any line of business, although it may do so in the future. It does not provide products or services to our franchisees.

We do not have any predecessors.

**BURGER 21® System.**

We and our affiliates have expended considerable time and effort developing a new fast casual franchise concept featuring 21 chef-inspired burger creations, hand-crafted signature shakes, fresh made-to-order salads and so much more (a "**BURGER 21® Restaurant**" or a "**Restaurant**"). Burger 21® Restaurant's creations appeal to all audiences and ages, particularly females who often cast the "veto vote" when selecting a restaurant. Who wouldn't find something they love among the 10 hand-crafted beef burgers made from fresh ground chuck; 10 non-beef, one-of-a-kind burgers made with seafood, turkey, chicken or vegetarian; and a featured Burger of the Month.

Burger 21® Restaurants are contemporary, fast casual dining restaurants with a modern look and feel, coupled with hints of a nostalgic diner that makes the restaurant comfortable and inviting. The shake bar is in the center of the restaurant surrounded by plenty of seating inside and outside.

We have developed training, systems and support to assist in our franchisees' success. Our franchisees benefit from: (1) a team made up of marketing, training, operations, culinary development, construction and design representatives; (2) access to system-wide marketing materials, public relations professionals, and social media experts; (3) corporate and onsite training programs designed to standardize operations in all Burger 21® Restaurants across the system; (4) an assigned representative who will assist the franchisee with business start-up and growth; and (5) assistance with financial analysis, operations evaluations, purchasing, strategic planning, and brand innovation. In addition, franchisees will receive support with real estate site selection that meets specific criteria related to demographics, traffic patterns, parking, character of neighborhood and competition from and proximity to other businesses.

BURGER 21® Restaurants operate under the service marks and trade name "BURGER 21®," and other associated logos, designs, artwork and trade dress, trademarks, service marks, commercial symbols, and e-names, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, service marks, e-names and commercial symbols in conjunction with the operation of BURGER 21® Restaurants (collectively, the "**Marks**") and under distinctive business formats, methods, procedures, designs, layouts, signs, artwork, music, equipment, menus, recipes, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the "**System**"). See Item 13. You will be required to follow our beer and wine program so you must obtain an alcoholic beverage license that enables you to serve beer and wine on premises. We may vary this requirement in certain jurisdictions where we believe obtaining such a license is not commercially feasible.

**Our Unit Franchise Program.**

In this disclosure document we grant, to persons who meet our qualifications and who are willing to undertake the investment and effort, franchises for the right own and operate a BURGER 21® Restaurant franchise (the "**Franchise**") at a single location acceptable to us. BURGER 21® Restaurants operate under the Marks and the System. Our current form of Unit Franchise Agreement (the "**Franchise Agreement**") is attached as Exhibit "B."

**Area Development Program.**

We also grant, to persons who meet our qualifications and who are willing to undertake the investment and effort, the right to develop, within a predetermined time frame, and operate Restaurants at multiple locations within specific geographical areas. Our standard form of Area Development Agreement (the "**Development Agreement**") is attached as Exhibit "C." Each Restaurant is operated under a separate Franchise Agreement. An Area Developer may be required to sign our then-current form of Franchise Agreement, which may contain different terms than the current Franchise Agreement attached as Exhibit "B" to this disclosure document.

**Our Business.**

We have been offering franchises for BURGER 21® Restaurants since August 31, 2011. We do not operate any BURGER 21® Restaurants. However, our affiliates operate and manage 4 BURGER 21® Restaurants located in the Lakeland and Tampa, Florida areas. We do not engage in other business activities, and have not offered, and do not currently offer, franchises in other lines of business.

**Competition.**

You will be competing with other restaurants, including gourmet burger restaurants, casual dining restaurants, fast food restaurants, fast casual restaurants, full service restaurants, grocery stores and specialty stores that offer food and food-related products. These restaurants and similar businesses may be associated with national or regional chains or may be local independent restaurants and other businesses. You also will be competing with other food service outlets that feature products and services that differ from those offered by BURGER 21® Restaurants. Your products and services will be offered to the general public, to individual consumers, for on-site consumption, carry out and if authorized by us delivery and catering. The market for BURGER 21® Restaurants is developed in some areas, developing in other areas and undeveloped in other areas.

**Regulations.**

You must comply with all local, state and federal, liquor licensing, health, sanitation and environmental laws that apply to restaurant operations. You will also be required to comply with workers' compensation, equal protection and workplace safety laws and regulations, including Title VII, and the ADA.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce laws and regulations that govern food preparation and service and sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations. Some states, including Florida, also have laws regulating the handling of food and food products. The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality. Also, some state and local authorities have adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of transfat contained in a food item.

You should consider these laws and regulations when evaluating your purchase of a franchise.

## ITEM 2
## BUSINESS EXPERIENCE

**<u>Co-Founder, Director & President: Mark T. Johnston</u>**

Mr. Johnston is one of our Co-Founders and has been our Director and President since our inception. He has served in the same role for B-21 since its incorporation. Mr. Johnston has been a Director of FBB since its inception. He served as Chief Concept Officer of FBB from its inception until August 2014. Since the incorporation of TMPRI in August 1984, Mr. Johnston has been one of its Directors, and he served as its Vice President until August 2014. Mr. Johnston has been a Director of GRG since its inception and became its President in March 2015.

**<u>Vice President: Jim Sullivan</u>**

Mr. Sullivan has been our Vice President since August 2012. He has also served as our and B-21's Vice President of Real Estate since August 2011. Previously, from June 2005 through July 2011, Mr. Sullivan consulted on behalf of TMPRI on restaurant sites throughout the US and Canada for the real estate firms, PB Realty, LLC based in Dade City, Florida and MTS Advisors, Inc. based in Sarasota, Florida. Simultaneously, he also consulted for shopping center developers throughout the United States. Mr. Sullivan also served as the Vice President of Real Estate for TMPRI and GRG from August 2011 to November 2014.

**<u>Co-Founder, Director, Secretary & Vice President of Concept Development: Arlene Johnston</u>**

Mrs. Johnston is one of our Co-Founders and has served as a Director since October 2014. She was promoted to Vice President of Concept Development in January 2015. She has also served as our Secretary from January 2015 to present. From our inception to January 2015, she served as our Director of Concept Development. Mrs. Johnston served as Director of Concept Development for FBB from August 2006 to November 2014. She has served in the same capacity for B-21 since its incorporation.

**<u>Director of Franchise Operations: Hiram Rodriguez</u>**

Mr. Rodriguez became our Director of Franchise Operations in July 2013. From December 2011 to August 2012, he was a Manager in training in our Burger 21® Restaurant, Carrollwood location. From August 2012 to July 2013, he was General Manager for our Burger 21® Restaurant, Tampa location. He was the Sales Director for Lifeback Durable Medical Equipment in Tampa, Florida from April 2011 until December 2011.

**<u>Corporate Chef & Field Trainer: Mike Remes</u>**

Mr. Remes became our Corporate Chef and Field Trainer in February 2014. He serves in the same capacity for B-21. Mike joined Burger 21 at our Westchase location in October 2010 as a line cook and kitchen trainer. He was promoted to Kitchen Manager in February 2011, and again to Food Tech in September 2012.

### Vice President of Operations: Michael J. Pistorino

Mr. Pistorino joined us as Vice President of Operations in October 2014. He serves in the same capacity for B-21. Prior to joining us, he was Senior General Manager for The Cheesecake Factory in Tampa, Florida, from February 1998 to November 2014.

### Training Manager: Megan Walling

Ms. Walling became our Training Manager in March 2016. From August 2013 to February 2016, she was our Operations Support Trainer. Previously, she was Data Central Administrator for FBB from November 2011 to July 2013. Prior to joining FBB, she was Key Employee, Server and Bartender for The Melting Pot Restaurants in Tampa, Florida from November 2005 to July 2013.

### National Marketing Manager: Jessica McLemore

Ms. McLemore joined us in April 2014 as our National Marketing Manager. She was a bartender and key supervisor at the GRILLSMITH® restaurant located in Lakeland, Florida, from October 2009 to April 2014. From May 2013 to October 2013, she was a paid media buyer intern for ChappellRoberts, an advertising agency located in Ybor City (Tampa, Florida).

### Director of Accounting: Ryan Johnston

Mr. Johnson became our Director of Accounting on October 16, 2016. From February 2015 to October 16, 2016 he served as our Systems Coordinator. Mr. Johnston has owned the Melting Pot Restaurant of Tallahassee since 2013 and operated it from 2013 until February 2015. Mr. Johnston studied entrepreneurship at the University of Central Florida until 2012.

## ITEM 3
## LITIGATION

### Pending Actions

None

### Prior Actions

Christopher Ponte v. Front Burner Brands, Inc., Burger 21, Inc., Mark T. Johnston, Michael M. Johnston, Arlene Johnston and Robert P. Johnston, Case No. 11-8815CI-020 (6th Judicial Circuit Court, Pinellas County, Florida, Civil Division, September 28, 2011). A former employee, Christopher Ponte ("Ponte") sued B-21 and 4 of our founders and officers (see Item 2) (the "Founders"). In the complaint, Ponte alleges that B-21 and our Founders offered him a 5% ownership stake in B-21 in consideration for his services. However, he refused to sign an agreement which contained the terms and conditions on which B-21 was willing to do so. Since B-21 was unable to come to an agreement with Ponte, he decided on May 3, 2011 to end his employment relationship with B-21. Ponte claims that he relied on promises made by B-21 and our Founders to his detriment and, therefore, B-21 and our Founders are prevented, under a legal theory of promissory estoppel, from refusing his claims. In addition, Ponte claims that B-21 and our Founders were unjustly enriched by his efforts to help develop our restaurant concept. In the complaint, he requested that the court award him with unspecified damages, including a 5% ownership share in B-21, and reimbursement of his attorneys' fees and costs. After participating in court ordered mediation, the parties settled the dispute on October 29, 2012. In the settlement, although denying any liability, B-21 and the Founders agreed to pay Ponte $75,000 to fully settle all claims between the parties as this settlement amount was deemed to be less than the estimated fees and costs B-21 would have incurred to continue to defend the suit. In return, Ponte admitted and agreed that he has no ownership interest in FBB, B-21 or any related entities, and that he will not seek re-employment with any of them and fully released them from all claims. The case was dismissed with prejudice on November 20, 2012.

Other than this 1 action, no litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## ITEM 5
## INITIAL FEES

All of the following fees are fully earned by us when paid and nonrefundable.

**Unit Franchise Program**

The initial franchise fee is $40,000 if you are only purchasing a single unit franchise. If you commit to develop multiple Restaurants under an Area Development Program, the initial franchise fees are as follows:

| Number of Units to be Developed | Initial Franchise Fee for Each Unit |
|---|---|
| 1 – 3 | $40,000 |
| 4 – 6 | $35,000 |
| 7 or more | $30,000 |

You must pay the initial franchise fee in a lump sum when you sign the Franchise Agreement. In consideration of this initial franchise fee, we grant you a franchise to operate a Restaurant in a protected Trade Area and provide you with initial training.

We are a member of the International Franchise Association ("**IFA**") and participate in the IFA's: (i) DiversityFran program; and (ii) VetFran program. In support of these programs, we currently reduce the initial franchise fee for the first location by 10% for qualified minorities or qualified veterans new to our system (the "**Special Discounts**"). The DiversityFran program provides financial incentives to qualified minorities to help them acquire franchised businesses and the VetFran program provides financial incentives to qualified veterans to help them acquire franchised businesses. A qualified minority is any minority as identified by the US Census Bureau. A qualified veteran is any honorably discharged veteran with a DD Form 214 document. The qualified minority or the qualified veteran must have a majority ownership in the franchised business to receive this discount on the initial franchise fee.

The DiversityFran program and the VetFran program discounts cannot be combined. We reserve the right to modify or cancel these programs at any time.

If you commit to develop 7 or more Restaurants and qualify for either the DiversityFran or VetFran Program discount, the initial franchise fee for your first Restaurant is $27,000 ($30,000 less the 10% discount). The discount applies only to the initial franchise fee for your first Restaurant.

We may, but are not required to, grant you an extension of the time period to sign a lease or otherwise obtain the right to occupy a site. Under our current extension policy, the following fees would apply:

| Extension Period | Extension Fee |
|---|---|
| First 90 Days | -0- |
| Second 90 Days | $4,000 |
| Third 90 Days | $8,000 |

If you obtain the right to occupy the site prior to the end of any extension period, we will refund the portion of the Extension Fee allotted to the days remaining in the Extension Period.

**Online Training Tools**

We currently do not have online training tools (**"e-learning"**), but we may develop and implement e-learning in the future. If we do, we may provide part of the initial training and all or any portion of ongoing training to you and your employees via e-learning. We may charge you an initial set-up fee, plus ongoing access and/or design/development fees for any e-learning that we provide or make available to you, as determined by us in our sole discretion. If we implement e-learning tools, we estimate that ongoing access fees would be approximately $150 to $500 per Restaurant per year, and ongoing design/development fees would range from $75 to $1,500 per Restaurant per year. However, the actual fee amounts could be higher or lower than these estimates.

**Area Development Program**

We charge an up-front development fee for you to secure the exclusive right to open Restaurants in a pre-determined territory in a specific amount of time, under the Development Agreement. The Development Fee is 1/2 of the initial franchise fee times the number of BURGER 21® Restaurants remaining to be developed under the Development Schedule minus 1. Since the first Franchise Agreement is also signed on the Agreement Date and the Initial Franchise Fee paid at that time, the total initial payment in a lump sum is illustrated as follows:

| No. of Restaurants | Initial Franchise Fee for 1st Unit | Development Fee for Additional Units | Total Initial Fee Due Upon Signing |
|---|---|---|---|
| 2 | $40,000 | 1 x $20,000 = $20,000 | $60,000 |
| 3 | $40,000 | 2 x $20,000 = $40,000 | $80,000 |
| 4 | $35,000 | 3 x $17,500 = $52,500 | $87,500 |
| 5 | $35,000 | 4 x $17,500 = $70,000 | $105,000 |
| 6 | $35,000 | 5 x $17,500 = $87,500 | $122,500 |
| 7 | $30,000 | 6 x $15,000 = $90,000 | $120,000 |

The Initial Franchise Fee for each Restaurant after the first one is reduced to 1/2 of the franchise fee in effect on the date the Development Agreement is signed and is due and payable each time a Franchise Agreement is signed for a Restaurant to be developed under the Area Development Program.

**Referral Program for Existing Franchisees**

If you buy a franchise from us, we offer a program in which franchisees can receive a referral fee of $1,500 for referring a third-party franchise prospect to us, who ultimately becomes a Burger 21® Restaurant franchisee (the **"Referral Program"**). We may implement, end or change the Referral Program, and impose rules or conditions on it, whenever we choose. While we encourage existing franchisees to speak to prospective Burger 21® Restaurant franchisees, we do not expect or want you to be involved in the offering or sales process. You are simply passing along to us the name of someone you know who might be interested in acquiring a Burger 21® Restaurant franchise.

Franchisees of the BURGER 21® system are eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, www.franchiseregistry.com.

## ITEM 6
## OTHER FEES

| Name of Fee (1) | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty | 5% of Net Sales(3) per Report Period(4) | Payable via ACH on Payment Day (5) which is currently every other Tuesday | We require you to pay by electronic transfer. |
| Advertising Fund | Currently 1.0% of Gross Sales up to $1,500,000 per fiscal year (we may increase this up to 1.5% of Gross Sales) and 0.5% of Gross Sales in excess of $1,500,000 per fiscal year | Payable on the 1st Payment Day of each month | The reduction to 0.5% will only apply to the amount over $1,500,000 and will start the first full week following the week you reach the $1,500,000 threshold and will revert to the initial threshold rate (up to $1,500,000) at the beginning of the next fiscal year. |
| Gift Card Systems Services Fee | Currently $30 or less per month (flat fee) | Payable on 1st Payment Day of each month | These fees are currently paid directly to a third party for gift card processing services provided. However, we may charge you a gift card systems fee if we are billed collectively for these services for all Restaurants. The amount we charge will be a pass through of the cost charged to us by the third party provider. We may require you to pay by electronic funds transfer. |
| Music System Subscription Fee | Currently $32 per month | Payable as incurred | These fees are currently paid to a third party who may periodically increase the monthly fee amount. |
| Revel POS System Service Fee | $250 to $500 per month | Payable as incurred | These fees are currently paid directly to a third party (Revel). |
| Syrus Software Subscription Fee (6) | Currently $165 per month | Payable as incurred | These fees are currently paid directly to a third party (Syrus Ltd.). |
| FusionPrep Fee | Currently $30 per month | Payable as incurred | These fees are currently paid directly to a third party (FusionPrep). |
| Technology and Hosting Fee (7) | To be determined: not yet charged | To be determined: not yet charged | We may charge a reasonable fee for hosting services if we require you to use certain computer software accessible through the Internet at our Website and for administrative services we perform in |

| Name of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| | | | updating and maintaining the restaurant management software system database and for any e-learning tools that we provide or make available to you. |
| Local Advertising Expenditure | Not to exceed 3% of Gross Sales; currently 3% of Gross Sales up to $1,500,000 and 2% of Gross Sales in excess of $1,500,000 per year | Payable as incurred | Paid to vendors of approved forms of local advertising. We currently reduce the required expenditure to 2% for Gross Sales exceeding $1,500,000 in any fiscal year. The reduction will start the first full week following the week you reach the $1,500,000 threshold and will revert to the standard rate of 3% of Gross Sales (up to $1,500,000) at the beginning of the next fiscal year. If you fail to make the required local advertising expenditures, we may require you to contribute the deficient amount to the Advertising Fund, or we may elect to spend the deficient amount on local advertising and promotion for your Restaurant, in which case you must reimburse us for such amounts, plus our related expenses. |
| Local Co-op Fee | Amount determined by local co-op, not to exceed 3% of Gross Sales (See Note 1) | Payable monthly or as otherwise required by any co-op. | Payable only if a local marketing co-op is established in your market area, in which case your local advertising expenditure may be satisfied by the Local Co-op Fee, if the local co-op assesses the full 3% of Gross Sales. However, you are still responsible for the cost of any in-store sales and promotional collateral that we require from time to time. We currently require the Co-op to reduce the maximum contribution rate to 2.0% of Gross Sales for sales exceeding $1,500,000 in any fiscal year. This reduction begins with the first full week following the week you reach the $1,500,000 threshold and reverts back to the maximum 3.0% of Gross Sales (up to $1,500,000) at the beginning of the next fiscal year. We may change this policy at any time. |
| Food Safety and Alcohol Training | $200 per person | Payable as incurred | For each person attending the Food Protection Manager Course and Alcohol Course. All operating owners and managers must have food safety and alcohol certification through the program. Some states offer online courses, while others require that additional criteria be met in order to operate a restaurant. |

| Name of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Transfer | $7,500; this fee is reduced to $5,000 if transfer is to an existing franchisee. | Prior to consummation of transfer | Payable when the Franchise Agreement or a controlling interest in you is transferred. |
| Successor (Renewal) Franchise Fee | ¼ of then-current Initial Franchise Fee (currently $10,000 based on $40,000 initial franchise fee) | Upon signing then-current Franchise Agreement, if you elect to acquire a successor franchise | Payable if you elect to acquire a successor franchise upon expiration of your current Franchise Agreement. You must satisfy additional conditions to renew. You do not receive any additional services from us; you only acquire the right to operate the Restaurant at its existing premises for a 5-year successor term pursuant to the terms and conditions of our then-current form Franchise Agreement. Payment of those charges is due upon your receipt of our invoice. Successor terms are for a period of 5 years. You must give us written notice no later than the 6th month and no sooner than the 9th month before expiration of the franchise agreement, pay the successor franchise fee and meet all conditions to obtain the successor franchise. At our option, you may be required to meet with us at our principal headquarters for 1-2 days to discuss successor franchise protocol. You are responsible for travel and living expenses associated with such meeting. |
| Audit | $175 per hour, plus out of pocket cost of inspection or audit including travel | 15 days after billing | Payable only if you fail to furnish reports, supporting records or other required information or if Royalties are underreported by $750 or more in a fiscal year or advertising requirements are underpaid by $150 or more. |
| Evaluation Fee | $500 to $1,500 per occurrence | 15 days after billing | Payable if one or more follow-up evaluations are necessary to confirm that you have corrected deficiencies identified during any inspection or you request an evaluation. |
| Interest | 18% per year | 15 days after billing | Payable on all overdue amounts |

| Name of Fee [(1)] | Amount | Due Date | Remarks |
|---|---|---|---|
| Insufficient Funds Charge | $50 | On demand for each dishonored check tendered to us or if there are insufficient funds in your account when we draft it for payment of amounts due us. | Payable on all dishonored checks and transactions in which we draft your account for payment of amounts due us and there are insufficient funds in the account. |
| Compliance Fee | $100 to $1,500 per notice | 10 days after notice | Payable upon written notification from B-21 of a violation of your Franchise Agreement. |
| Management Fee | 5% of Gross Sales | As agreed | Payable during period that our appointed manager manages the Restaurant upon your death or disability or during any period that your Restaurant is not being managed or operated in compliance with our System Standards. |
| Costs and Attorneys' Fees | Will vary under circumstances | As incurred | Reimbursement to us for all costs and expenses incurred if we prevail in any proceeding regarding enforcement of the terms of any agreement. |
| Collection Costs and Expenses | Will vary under circumstances | As incurred | Reimbursement to us of collection costs and expenses including, but not limited to, costs and commissions paid or due to a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports, demonstrating Gross Sales of the franchised business, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing. |
| Indemnification | Will vary under circumstances | As incurred | You have to reimburse us if we are held liable for claims arising from your Restaurant's operations. |
| Testing | Cost of personnel travel and living expenses; no additional fee for testing a proposed product is required | At time of request | This covers the costs of testing new products. |
| Relocation Training Fee [(8)] | $2,500 per trainer (not to exceed a total of $15,000) | 30 days after billing | This covers the costs we incur (wages, airfare, transportation, hotel and per diem expenses) for our trainers if you want to relocate the Restaurant. |

| Name of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Construction & Design Relocation Fee [9] | Up to $10,000 (currently $5,000) | 30 days after billing | This covers one set of design plans and specifications from which your architect must prepare all required engineering and construction plans and specifications to suit the shape and dimensions of the new location, if you relocate the Restaurant with our prior written approval. |
| Supplier Evaluation Fee | Currently $500 | As incurred | This covers expenses to evaluate a supplier that you may propose. |
| Management Certification Program/Standards Re-Training Course [10] | $1,200 per person | 10 days after billing | Includes course registration fee and materials. You are responsible for travel and living expenses. |
| Additional or Refresher Training[11] | $200 to $1,500 per person plus per diem charges (currently $40 per day per person) and travel and living expenses per person. | 10 days after billing | We provide initial training for up to 5 people tuition-free. We charge a training fee for each person in excess of 5 individuals that attend the initial training program at any time. We also charge a training fee for periodic or refresher training that we require. In the event of a transfer of ownership or relocation, refresher training may be required for the management team. |
| Training Compliance Fee [10] | $1,500 | 10 days after billing | We may charge the training Compliance Fee if you fail to attend any required training. |
| Additional or Refresher Training that You Request | $200 to $1,500 per person plus per diem charges (currently $40 per day per person) and travel and living expenses per person | 10 days after billing | If you request additional assistance or special training, you must pay all expenses we incur in connection with such training. |
| Conferences/ Seminars | Up to $1,500 per person , plus the cost of personnel travel and living expenses | 10 days after billing | We may require you (or one of your principal owners) and one managerial employee to attend an annual conference and other periodic conferences and seminars (up to a maximum of 7 calendar days per year) at locations that we designate. We may charge a registration fee to cover our expenses for such conference or seminar of up to $1,500 per person. We will notify you if you are required to attend a particular seminar or conference. You or your approved representative will be required to attend an annual conference and the operator of each Restaurant will be required to attend an annual Operator's conference. |

| Name of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| E-learning Fees[11] | To be determined, not yet charged | 10 days after billing | Payable if we implement and provide or make available to you any online training tools (**"e-learning"**). If we do, we may provide part of the initial training and all or any portion of ongoing training to you and your employees via e-learning. |
| Customer Survey Services | Actual cost, currently $80 per month | 10 days after billing | We may periodically require you to purchase certain third party services that must be ordered through us. This currently includes customer survey services, which are provided by third parties that bill us collectively for all Restaurant locations. We cover the cost of these services and re-bill the franchisees for them, at cost. We may in the future also require you to purchase back office accounting or other third party services for your Restaurant through us. |
| Reimbursement of Pre-Opening Expenses[12] | Actual costs and expenses incurred by us, if any. | 10 days after billing | If you fail to secure any items or complete any tasks needed to open your Restaurant in a timely manner, we may, at our option, make arrangements to secure such items or complete such tasks on your behalf, and you must reimburse us for all of our associated costs. |

**Explanatory Notes**

1. All fees are imposed by and payable to us except the Local Co-op Fee which will be imposed by and payable to any local marketing co-op established for your Trade Area. All fees are uniformly imposed on all franchisees and are non-refundable. The maximum amount that you will be required to contribute to a local marketing co-op will not exceed 3% of Gross Sales. If a cooperative is established, any amounts contributed to the cooperative will be credited against your local marketing expenditures. Both the local advertising and the local co-op fees are required by us under the terms of the Franchise Agreement, but are not payable to us. You will only pay local co-op fees if a local marketing cooperative exists or is established in your market area during the term of your Franchise Agreement.

2. **"Gross Sales"** are the total actual gross charges at menu prices for all products (food and non-food) and services sold to customers of the Restaurant for cash or credit or any other method of payment, whether these sales are made at or from the Restaurant premises, or any other location before any discounts are applied. Any amounts that you collect and transmit to state or local authorities as sales, use or other similar taxes are also excluded from the definition of Gross Sales.

3. **"Net Sales"** are Gross Sales less discounts we have approved, or any charitable contribution amounts that we require from time to time, as prescribed in our Manuals or otherwise.

4. As of the date of this disclosure document, the Report Period is bi-weekly.

5. The Payment Day is currently the Tuesday of every other week for the bi-weekly Report Period that ended the prior Tuesday.

6. We currently require you to subscribe to Syrus Restaurant Information Systems' back-office restaurant management software ("**Syrus**"), which is a proprietary, internet-based restaurant management system designed to manage and report on purchasing, inventory, labor, sales and product mix, and cost of goods. See "Computer Systems" under Item 11 of this Disclosure Document for a more detailed description of the Syrus system. The Syrus system is accessible through a high speed internet connection, and the database is owned and hosted by Syrus Ltd.

7. We currently require you to utilize Syrus back-office restaurant management software, which utilizes a centralized database. You will access this database via the internet. Although we do not own the Syrus software system, we do own the rights to all customer data. While we do not currently charge you a separate fee for the rights to use this proprietary database, we may assess user fees in the future for the purpose of updating and maintaining this database or any other database for the restaurant management software system we are then using. We may, in the future, require the use of other software and/or hardware, which will enable you to become a "thin client" user with us acting as a host, housing the software and programs which you will use and access through the internet at our website. If we do, we may charge you a reasonable fee for such hosting and support services. The hosting fee may also encompass certain online training or e-learning fees, video production and other miscellaneous technology-driven training initiatives.

8. We will determine the number of trainers and the time period over which their assistance will be provided in connection with the re-location of your Restaurant. This will depend on a variety of factors, including, but not limited to, the number of new team members that you hire, the length of time between closing the former location and opening at the new location, and the availability of our personnel.

9. The design plans and specifications are provided for the specific site that we have approved in connection with the re-location of your Restaurant. If, for any reason, you decide to pursue an alternate location, you must pay another fee for new design drawings for such alternate site.

10. We charge a training fee of up to $1,500 per person for: (a) initial operations training of more than 5 persons; and (b) additional managers who complete training after the Restaurant opens. We charge a remedial standards retraining fee of $1,200 per person if you fail to operate the Restaurant in compliance with system standards. If you fail to attend any required training, we may charge you a training compliance fee of up to $1,500.

11. We have not yet developed and implemented e-learning, but we may do so in the future. If we do, we may provide part of the initial training and all or any portion of ongoing training to you and your employees via e-learning. We may charge you an initial set-up fee, plus ongoing access and/or design/development fees for any e-learning that we provide or make available to you, as determined by us in our sole discretion. If we implement e-learning tools, we estimate that ongoing access fees would be approximately $150 to $500 per Restaurant per year, and ongoing design/development fees would range from $75 to $1,500 per Restaurant per year. However, the actual fee amounts could be higher or lower than these estimates.

12. Before we deploy our trainers to provide pre-opening assistance at your Restaurant, you must satisfy the pre-opening conditions set forth in the Pre-Opening Agreement attached as Exhibit C to the Franchise Agreement. If you fail to do so, then we may, at our option, make arrangements

to secure such items and/or complete such tasks, and you must reimburse any costs that we incur in doing so.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

| YOUR ESTIMATED INITIAL INVESTMENT | | | | | |
|---|---|---|---|---|---|
| **Expenditures** | **Estimated Amount or Estimated Low-High Range** | **When Payable** | **Method Of Payment** | **Whether Refundable** | **To Whom Paid** |
| Initial Franchise Fee (1)(2) | $27,000 - $40,000 | Payable on signing Franchise Agreement | Lump Sum | No | Us |
| Leasehold Improvements (3)(4) | $131,000 - $420,212 | As incurred | As incurred | No | Third Parties |
| Furniture, Fixtures and Equipment (5) | $111,052 - $249,077 | As incurred | As incurred | No | Third Parties |
| Computer and Point of Sales Hardware; POS Software (3 months); Digital Display Board (6) | $11,750 - $21,200 | Lump Sum | As Incurred | No | Us or Third Parties |
| Computer Software (Installation, Training and 1st Year Subscription), including Firewall (7) | $4,455 - $5,135 | As incurred | As incurred | No | Us or Third Parties |
| Gift Card Processing (3 Months) (8) | $15 - $90 | Monthly | Lump Sum | No | Third Party |
| Customer Surveys (3 Months) (9) | $240 | Monthly | Lump Sum | No | Us |
| Music System Subscription (3 Months) (10) | $96 | Monthly | Lump Sum | No | Third Parties |
| Signage (11) | $5,725 - $26,365 | As incurred | As incurred | No | Third Parties |
| 3 Month's Rent (3)(12) | $19,250 - $37,500 | As incurred | As Agreed | No | Third Parties |
| Security Deposit (12) | $0 - $16,050 | As incurred | As Agreed | No | Third Parties |
| Opening Inventory and Supplies/Smallwares (13) | $22,564 - $31,365 | As incurred | Prior to Opening | No | Third Parties |
| Grand Opening Advertising (14) | $10,000 - $15,000 | As incurred | Prior to Opening | No | Third Parties |
| Wages, Travel and Living Expenses During Initial Training and Line Cook Training (15) | $17,038 - $48,000 | As incurred | As incurred | No | Third Parties |
| Initial Food and Beverage Inventory, Opening Costs and Training (16) | $20,701 - $41,661 | As incurred | As incurred | No | Third Parties |

| YOUR ESTIMATED INITIAL INVESTMENT | | | | | |
|---|---|---|---|---|---|
| **Expenditures** | **Estimated Amount or Estimated Low-High Range** | **When Payable** | **Method Of Payment** | **Whether Refundable** | **To Whom Paid** |
| Working Capital/Additional Funds (3 months) (17) | $25,000 - $70,000 | As incurred | As Agreed | No | Third Parties |
| Insurance (3 months) (18) | $3,000 - $5,710 | As incurred | As Agreed | No | Third Parties |
| Legal and Accounting Expenses (19) | $1,755 - $13,500 | As incurred | As incurred | No | Third Parties |
| Permits and Licenses (20) | $2,500 - $14,295 | As incurred | As incurred | No | Third Parties |
| TOTAL ESTIMATED INITIAL INVESTMENT (UNIT FRANCHISE) (EXCLUDING REAL ESTATE PURCHASE COSTS)(21)* | $413,141 - $1,055,496 | | | | |
| Area Development Fee (22) | $20,000 - $90,000 | Payable on Signing Development Agreement | Lump Sum | No | Us |
| TOTAL ESTIMATED INITIAL INVESTMENT (AREA DEVELOPMENT PROGRAM) (EXCLUDING REAL ESTATE PURCHASE COSTS)(21)* | $433,141 - $1,145,496 | | | | |

Caution: These figures are estimates only. We cannot guarantee that you will not have additional expenses in starting your business. The estimates expenses vary due to numerous factors outside of our control. See the notes below for more information.

**Explanatory Notes**

1. The initial franchise fee varies depending on the number of Restaurants you agree to develop as follows:

| Number of Units to be Developed | Initial Franchise Fee for Each Unit |
|---|---|
| 1 – 3 | $40,000 |
| 4 – 6 | $35,000 |
| 7 or more | $30,000 |

There are also the Special Discounts of a 10% reduction for the VetFran and DiversityFran Programs. (see Item 5). The Special Discounts cannot be combined. The initial franchise fee is non-refundable. We do not finance any fee. The high estimate assumes a single unit franchise with no discounts. The low estimates assumes a 7-Restaurant transaction with the DiversityFran program or VetFran program discount of 10% applied to the initial franchise fee for your first Restaurant ($30,000 - $3,000 discount = $27,000).

2. We may, but are not required to, grant you an extension of the time period to sign a lease or otherwise obtain the right to occupy a site.

3. The Restaurant's location (the "**Site**") typically will be located at a Site located within a regional or lifestyle mall or strip/shopping center that is close to retail or other commercial area. These estimates assume that the Restaurant is located in a retail shopping center, mall or free-standing location. The average size of a Restaurant is between 2,200 and 3,000 square feet. We estimate that the rental range would be approximately $35 to $50 per square foot plus Triple Net charges. Costs of leasehold improvements, which include floor covering, wall treatment, counters, ceilings, painting, window coverings, plumbing, electrical, carpentry and related work and contractor's fees, will vary significantly depending on the condition, location and size of the Site, the demand for the Site among prospective lessees, and any construction or other allowances granted by the landlord after negotiations. These costs also include architectural drawings. Some Restaurants may also have to pay government imposed impact and permit fees depending on the site. They vary considerably due to numerous factors and we are unable to estimate them. In most cases, Franchisees rent rather than purchase property. The initial investment assumes you will rent. If you purchase the premises, your initial expenses will dramatically increase.

4. Build-out or renovation of your Site to conform to our standards will include paint, tile work, lighting, salt walls, drywall partitions, counters and the like. The cost of these improvements, which include floor covering, wall treatment, counters, ceilings, painting, window coverings, plumbing, electrical, carpentry and related work and contractor's fees, will vary significantly depending on the condition, location and size of the premises, the demand for the premises among prospective lessees, contractor and labor costs and any construction or other allowances granted by the landlord after negotiations. The cost of improvements, which include floor covering, wall treatment, counters, ceilings, painting, window coverings, plumbing, electrical, carpentry and related work and contractor's fees will be significantly more if you select a Site with no pre-existing improvements. The low estimate assumes that your Restaurant will be located in an existing restaurant space with certain equipment and infrastructure that can be repurposed to suit your needs. If you lease your Site, you may be able to negotiate an allowance to cover a portion of these build-out and leasehold improvements. We estimate that the allowance can range from $0 to $350,000. A landlord allowance would reduce the estimated cost that you could expect to incur for leasehold improvements.

5. This item includes tables and booths, sinks, refrigerators, sound system equipment and initial setup, ovens, ventilation systems, display cases, stools, chairs, utensils, a phone system, a security system, a CCTV system, a desk, filing cabinets, related office supplies and other items needed for a Restaurant. The cost of initial setup for the required music channel is currently a fee of $199 plus a monthly subscription fee. We require you to sign our then current form of Conditional Assignment of Telephone Numbers and Listings in the form attached as Exhibit "D." The low estimate assumes that your Restaurant will be located in an existing restaurant space with certain equipment and infrastructure that can be repurposed to suit your needs.

6. We currently require you to purchase the Revel ("**Revel**") POS System and a personal computer with a HP or Canon inkjet or laser printer. The Revel POS System includes the back of the house server, remote terminals, remote printers, kitchen display system, cash drawers, power supplies, hubs, related cable requirements, POS software and integrated credit card software. The Revel POS System is integrated with Revel online ordering system. This system allows customers to create orders online that pass directly to the Revel POS System. The cost of the Revel POS System is estimated to range from $7,000 to $15,000. This estimate also includes the monthly service fee of $250 to $500 for the Revel POS System and the online ordering system. The cost

of the personal computer, firewall and printer is estimated to be approximately $1,200. You are not currently required to purchase a separate terminal or printer for processing gift cards, since those functions are integrated into the Revel POS System. We may periodically modify our standards and specifications for POS and other computer hardware and software. You must comply with such changes, at your expense. You are also required to purchase 5 digital display boards to display a burger and shake of the month and other brand promotions. The cost of the digital display boards is approximately $2,700.

7. You must subscribe to Syrus, a back-office restaurant management software system from Syrus, Ltd., or any future system that we prescribe. The annual subscription cost for the Syrus software is currently $1,980 ($165 per month) per Restaurant, plus a $195 initial set-up fee for each Restaurant. These amounts are paid directly to Syrus Ltd. You must also use FusionPrep, a digital kitchen solution, in the operation of the Restaurant. The estimate includes $1,200 to $1,880 initial cost for FusionPrep, plus $1,080 for annual fees ($30 per month per iPad with a minimum requirement of 3 iPads). These fees are paid directly to FusionPrep.

8. We currently require you to utilize a designated third party vendor for gift card processing, currently Mercury Payment Systems. Gift card processing is currently $4.95 to $29.95 per month (flat fee), with $0 per transaction. These amounts are billed directly to you from our designated vendor. If you choose to use the same vendor to process credit card transactions, the gift card processing fee is reduced to $4.95 per month. If you use a different credit card vendor, the gift card processing fee will be $29.95 per month. These fees are determined by the service providers, not by us, and there may be periodic increases in the fee amounts.

9. We currently require you to utilize designated customer survey services provided by third parties that bill us collectively for all Restaurant locations. We cover the cost of these customer survey services and re-bill the franchisees for them, at cost. These amounts must be paid to us 10 days after billing. The customer survey services fee is currently $80 per month. These fees are determined by the service providers, not by us, and there may be periodic increases in the fee amounts.

10. The cost of the monthly required subscription to the music channel is currently $32 per month. These fees are determined by the service providers, not by us, and there may be periodic increases in the fee amounts.

11. The cost of signage varies depending on the size and type of signs, the size and location of the Restaurant, and any local and development requirements. If local law permits, you must display a curb or marquee sign that complies with our specifications and standards. If we deem the signage that local ordinances allow as inadequate for our brand, we reserve the right to require you to seek variances to those ordinances as a condition to accepting the Site.

12. The amount of the rent and security deposit will depend on the size, condition and location of the Site and the demand for the Site among prospective lessees. We estimate that the security deposit will equal one month's rent.

13. You must purchase an opening inventory of supplies, which includes smallwares, paper goods, and in-store retail merchandise as described in the Manual.

14. You must conduct a grand opening advertising and promotional program for the period from when the certificate of occupancy for your Restaurant is issued and up to 90 days post opening. We will determine the minimum amount you must spend for the grand opening promotion, but it

will not be less than $10,000 or more than $15,000. If you fail to spend the requisite amounts, we may, at our option, make such expenditures on your behalf and you must then reimburse us for our costs and expenses in doing so. Your failure to comply with your grand opening obligation is a material default under your Franchise Agreement.

15. We provide initial training to you and up to 4 other persons (or up to 5 of your owners and managers if you are a business entity) without charge, but you are responsible for all compensation, travel, lodging and living expenses which such persons incur in connection with the initial training. We will decide, in our discretion, the exact number of individuals that must be trained (up to a maximum of 5 individuals), based on your prior business experience and any other factors that we consider appropriate to our determination. We also provide kitchen training for up to 4 of your experienced line cooks, without charge, at one of our affiliate's Burger 21® Restaurants in the Tampa, Florida, area or at another Restaurant that we designate. This estimate does not include additional training fees which would apply if more than 5 people attend initial training or more than 4 line cooks attend kitchen training.

16. This item estimates the initial food and beverage inventory, initial wages and food and beverage expenses for the staff and managers during the pre-opening training period as well as initial training materials and includes the $200 fee for attending the Food Protection Manager Course and the Alcohol Course. Also, included in this item are the wages for managers for the period after initial training in Tampa, Florida prior to pre-opening training. During this period, the managers will be recruiting, interviewing and hiring the staff. Recruiting related expenses and uniforms are also included. These amounts will vary depending on the prevailing wage, size of the staff and other factors.

17. This item estimates your initial start up expenses. The disclosure laws require us to include this estimate of all costs to operate your franchise during the "initial phase" of your business, which is defined as 3 months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a 3-month period. This estimate includes payroll costs for your General Manager, Front of the House Manager, Kitchen Manager, Assistant Kitchen Manager and Restaurant staff. Additional funds also include loan origination fees, loan closing fees, potential SBA loan guarantee fees and other various costs. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. We relied on our affiliates' experience from opening 4 BURGER 21® Restaurants in the Tampa Bay, Florida area and the experience of 17 franchisees opening BURGER 21® Restaurants in various states, as well as our experience in the restaurant business, to compile these estimates.

18. We are establishing the minimums but we urge you to consult with your own insurance carrier for higher amounts or additional coverage. The exact costs depend on a number of factors including the experience of the carrier, your history with the carrier, the geographical area in which the business is located, etc.

19. These fees are representative of the costs for engagement of professionals for the start-up of a franchised business. We also strongly recommend that you seek the assistance of attorneys and accountants for the initial review and resulting advisories concerning this franchise opportunity,

this disclosure document, and subsequently, the franchise agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as a part of starting your business. The estimated rates in this chart are based upon professional fees experienced and estimated by franchisees prior to opening. It is best to make sure you understand the extent of the services your advisors will provide and do for a fee schedule prior to engaging them to perform any services on your behalf.

20. Includes expenses incurred to obtain business licenses, building permits and a beer and wine license. In some areas, the cost of a beer and wine license can be substantially higher.

21. We relied on our affiliates' experience from opening 4 BURGER 21® Restaurants in the Tampa Bay, Florida area and the experience of 18 franchisees opening BURGER 21® Restaurants in various states, as well as our experience in the restaurant business, to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The total estimated start-up costs may exceed the high range depending upon the location, site conditions, local construction costs, local governmental fees and local market conditions, and other factors.

22. Under the Area Development Program, the Development Fee paid at the time you sign the Development Agreement is equal to: (a) 1/2 the initial franchise fee times (b) the number of BURGER 21® Restaurants remaining to be developed under the Development Schedule minus 1. Since you also sign the first Franchise Agreement and pay the full initial franchise fee for the first Restaurant on the Agreement Date, the total initial payment is illustrated as follows:

| No. of Restaurants | Initial Franchise Fee for 1st Unit | Development Fee for Additional Units | Total Initial Fee Due Upon Signing |
|---|---|---|---|
| 2 | $40,000 | 1 x $20,000 = $20,000 | $60,000 |
| 3 | $40,000 | 2 x $20,000 = $40,000 | $80,000 |
| 4 | $35,000 | 3 x $17,500 = $52,500 | $87,500 |
| 5 | $35,000 | 4 x $17,500 = $70,000 | $105,000 |
| 6 | $35,000 | 5 x $17,500 = $87,500 | $122,500 |
| 7 | $30,000 | 6 x $15,000 = $90,000 | $120,000 |

The Development Fee constitutes payment only for the rights we grant you under the Development Agreement. The Development Fee must be paid in full on the date that you sign the Development Agreement. The Development Fee is fully earned by us and non-refundable. The low end assumes a 2-Restaurant transaction, and the high end assumes a 7-Restaurant transaction. Any DiversityFran program or VetFran program discount applies only to the initial franchise fee for the first Restaurant, so it does not reduce the Development Fee due under the Development Agreement.

You will not incur most of these costs if you are renewing your franchise (i.e., acquiring a successor franchise) because your Restaurant is already open. However, you must make certain upgrades, modifications and improvements at your Restaurant to meet our current standards. Your costs will depend on your Restaurant's current condition.

We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions from which you may request a loan.

## ITEM 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Purchases from Us**

We may periodically require you to purchase certain third party services that must be ordered through us. This currently includes customer survey services, which are provided by third party providers that bill us collectively for all Restaurant locations. We cover the cost of these services and re-bill franchisees for them, at cost. These fees may increase if our costs increase.

The cost of equipment and services purchased from us currently represents none of the cost to establish a franchise and none of the total operating expenses thereafter. However, we reserve the right to be the sole or one of the approved suppliers for any products or services to be utilized in the operation of your Restaurant.

In the fiscal year ended March 28, 2017, neither we nor our affiliates received any income from the sale of items to franchisees. However, we reserve the right to do so in the future.

**Approved Suppliers**

In order to maintain the quality of the goods and services sold by BURGER 21® Restaurants and the reputation of the BURGER 21® Restaurants franchise network, you are obligated to purchase all food and beverage products, supplies, and other items you use and sell at and from your Restaurant through our approved suppliers or distributors. You must not purchase such products or services from anyone other than our designated source. We currently require franchisees to utilize designated distributors for certain proprietary products and other products, under an international foodservice distribution agreement that we negotiated with Distribution Market Advantage, Inc. You must purchase certain food items and other products from the designated distributors and use a web-based order entry and reporting system, and will make payments directly to the distributor(s) for your purchases. You are required to pay for all goods and services within negotiated terms. Please note that your credit rating can affect these terms. These terms may change without notice.

You must purchase training materials that include printed materials from an approved or designated supplier. You must purchase various promotional items, retail merchandise, and uniforms for your staff from a manufacturer we designate. You must purchase the POS system, back-office restaurant management software, and digital kitchen solution from designated suppliers. You must also utilize a designated vendor for gift card processing. At this time, we do not require a specific credit card processor; however, we reserve the right to do so in the future. While you are not required to use our approved accounting firm, we reserve the right to require you to do so for a period of time as we deem necessary. You must use our approved real estate agent or a real estate agent approved by us for all your lease negotiations. You must also use our approved audio visual/music services provider and sign any related service agreements with such provider.

You must purchase your cleaning solutions and dishwasher equipment from Ecolab or other vendor that we may designate in the future.

We do not expressly state or imply any warranties with respect to any products goods or services we supply to you or recommend for your use. Required purchases from approved suppliers, including us, represents approximately 95% of your total purchases in connection with the establishment of your

Restaurant and approximately 95% of your overall purchases in operating the Restaurant. We have not received any income from the sale of items to franchisees, but we reserve the right to do so in the future.

There are no suppliers in which any of our officers own an interest.

**Standards and Specifications**

You must operate the Restaurant according to our System Standards. System Standards may regulate, among other things, design, layout, décor, artwork, music, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos and illumination; the types, models and brands of required fixtures, furnishings, equipment, signs, software, POS systems, materials, and supplies (including janitorial and cleaning supplies); required or authorized products and product categories including for all food and beverage items and portions devoted to each supplier of products and other merchandise for sale to be used in operating the Restaurant, required or authorized products and product categories and designated or approved suppliers of such items (which may be limited to or include us or our affiliates). We do not make any express or implied warranties with respect to any products or goods we recommend for your use. Our standards and specifications may impose minimum requirements for quality, taste, cost, delivery, performance, design and appearance, delivery capabilities, financing terms, and ability to service our franchise system as a whole. We will notify you in our Manual or other communications of our standards and specifications and/or names of approved suppliers. Required purchases, according to our specifications and standards, represent approximately 5% of your total purchases in connection with the establishment of your Restaurant and approximately 5% of your overall purchases in operating the Restaurant. Purchases of approved products and services from us or our approved suppliers also meet our standards and specifications.

**Changes of Suppliers**

If you want to use any item that does not comply with System Standards or is to be purchased from a supplier that has not yet been approved, you must first submit sufficient information, specifications and samples for our determination whether the item complies with System Standards or the supplier meets approved supplier criteria. We will, within a reasonable time, which is generally within 30 days as long as we have the opportunity to fully evaluate such supplier, notify you of our decision. We currently charge a $500 fee for evaluating alternative suppliers. We will, from time to time, establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Approval of a supplier may be conditioned on requirements relating to product quality, frequency of delivery, standards of service and concentration of purchases with one or more suppliers in order to obtain better prices and service and may be temporary, pending our further evaluation of the supplier.

**Rebates**

We may negotiate with suppliers and manufacturers to receive rebates on certain items you must purchase. During the fiscal year ended March 28, 2017, we received rebates equal to $133,071.67, which represented 8.51% of our total revenues of $1,563,677.21 based on our audited financial statements. The rebates were paid to us on the basis of a percentage of franchisees' purchases of certain equipment and supplies as follows:

| Supplier | Amount |
|---|---|
| Wasserstrom | 1% |
| Ecolab | 2% |
| Distribution Market Advantage, Inc. ("**DMA**") | 1.4% |
| Client Rewards | 1%* |

* *Usually less.*

The rebates that we receive from DMA and certain other suppliers are used to cover our costs directly related to third party purchasing and distribution support services for the BURGER 21® system. We have partnered with foodservice consulting group EMPAD to support purchasing and distribution of smallwares and food items for all BURGER 21® Restaurants in our system. The rebate we receive from DMA and certain other designated supplier(s) are used to reimburse us for the cost of the contract with EMPAD. Although we are not required to do so, any such rebate amounts exceeding the contract service fees for EMPAD are contributed to the Advertising Fund or applied toward future purchasing and distribution support costs, at our option.

The Coca-Cola rebates ($1.10 per gallon) are paid directly to franchisees, pro rata based on the amount of their purchases. The rebates payable on purchases made between January 1 and June 30 will be remitted to franchisees directly from Coca-Cola approximately 10 weeks after June 30th. Rebates payable on purchases made during the period July 1 through December 31 will be remitted to franchisees directly from Coca-Cola approximately 10 weeks after December 31st. We may change this policy, or modify any aspect of the rebate programs, at any time and without notice, in our sole discretion.

Ecolab also pays a rebate to franchisees on a quarterly basis on any amount a franchisee spends on Ecolab single-rack dishmachine and supplies in excess of 0.06% but not more than 0.09% of Gross Sales, pro rata based on the amount of such purchases. Ecolab also pays a rebate based on the growth of total Ecolab purchases which is used to cover the costs of our purchasing vendor EMPAD.

Not all suppliers pay rebates to us. The amounts may vary and additional vendors may pay rebates to us in the future.

**Restaurant Development**

We require Restaurants to be constructed or remodeled in accordance with our specifications. The Franchise Agreement requires that you purchase or lease and use only such equipment and supplies as we may specify or approve. We also will furnish you with mandatory specifications and layouts for Restaurants, including requirements for dimensions, design, color scheme, image, interior layout, decor, and Operating Assets which include fixtures, equipment, signs, furnishings and color schemes. These plans might not reflect the requirements of any federal, state or local law, code or regulation, including those arising under the Americans With Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the premises for the Restaurant (the "**Premises**") and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements and lease requirements and restrictions. We may require you to obtain a bid from our list of designated consultants, contractors and vendors. We currently require you to obtain a minimum of one quote or bid from one of our designated architects. You may choose to obtain additional bids from non-designated architects. Any non-designated architect must be approved by us prior to obtaining a bid. We reserve the right to require that any bid from a non-designated architect be submitted according to our then-current architectural software package. You are obligated at your expense to have your architect prepare all required construction plans and specifications, based on our design drawings and specifications, to suit the shape and dimensions of the Site and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must at your expense use construction contractors designated or approved by us. You will not engage any such firm that we have not approved. If we or our affiliates serve as the contractor to build-out the Restaurant or otherwise supervise the Restaurant's development, we or our affiliates will have the right to receive a fee in connection with such services. You must send us construction plans and specifications for review before you begin constructing the Restaurant and at the points of 50% and 95% completion, and all revised or "as-built" plans and specifications during construction. Because our review is limited to ensuring your compliance with our design requirements, we will not assess compliance with federal, state or local laws and regulations, including the ADA, OSHA and state and local environmental requirements and building codes, as compliance with these laws is your responsibility. We may inspect the Premises while you are developing the Restaurant.

**Computer Hardware and Software**

You must purchase and use the Revel POS System, Syrus back-office restaurant management software, and FusionPrep digital kitchen solution, as well as all modifications, enhancements and revisions to these systems. (See Item 11 for more information) We may periodically modify our standards and specifications for POS and other computer hardware and software. You must comply with such changes, at your expense.

We estimate that the cost of these items is 5% of your total costs to open your BURGER 21® Restaurant and 0.2% of the total cost to operate it.

**Music Channel**

Before your Restaurant opens for business, you must pay a $199 set-up fee for the BURGER 21® custom music channel that we require for all BURGER 21® Restaurants. You will also pay a monthly service fee (currently $32) for the custom music channel. The monthly fees are paid directly to our designated third party vendor, which may change from time to time. The fees are also subject to change, as determined by the third party vendor(s).

**Gift Cards**

We currently require you to utilize a designated third party vendor for gift card processing. Gift card processing is currently $4.95 to $29.95 per month (flat fee), with $0 per transaction. These amounts are billed directly to you from our designated vendor. Currently, Mercury Payment Systems is the only approved vendor for gift card processing services. We recommend, but do not currently require, that you use Mercury Payment Systems as your credit card processor. If you use Mercury Payment Systems for credit card processing, then the gift card processing fee is reduced to $4.95 per month. If you use a different credit card vendor, the gift card processing fee will be $29.95 per month. These fees are determined by Mercury Payment Systems (or other vendors that we designate from time to time) and are subject to change.

**Site**

The Site for your Restaurant is subject to our acceptance. The Site must meet our criteria for demographic characteristics, traffic patterns, traffic counts, parking, character of neighborhood, competition from and proximity to other businesses and other restaurants, the nature of other businesses in proximity to the Site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed Site. We also must accept the lease or sublease (and any renewals or modifications) for the Site of your Restaurant prior to your signing them. The franchisee and tenant must be the same. You must deliver a copy of the signed lease to us within 30 days after it is signed. Our acceptance of the lease indicates only that we believe that its terms fall within the acceptable criteria we have established as of the time of our acceptance.

If you lease the Site from a third party, or purchase the Site, we first must accept the lease, financing and/or purchase documents that you will sign. We may require that they contain certain provisions that are designed to protect our rights. You and your lessor and, if applicable, any lender for the Site also must sign our then current form of Collateral Assignment and Assumption of Lease and Lease Rider (the "**Lease Rider**") which is attached to this disclosure document as Exhibit "E." The Lease Rider generally protects our rights under the Franchise Agreement, our ability to possess the Site if you violate any of your obligations to us, and your right to occupy the Site, and operate the Restaurant without interference by lenders and mortgage holders. Any person who is related to or affiliated with you or one of your owners, directors, officers or other principals, and who plans to lease the Site to you or own or obtain financing for the Site, must agree to be bound by these provisions.

Under the Lease Rider, we can take possession of the Restaurant's Site if you violate the lease or any obligation to us. You still will be responsible for all lease obligations covering the time before we take over. If you and the landlord for the Site are or become related in ownership or control, and we eventually take over the Site, any lease will be amended to be the same length as the Franchise Agreement, to be consistent with commercially reasonable "triple-net" leases being signed in your metropolitan area and to reflect the Site's fair market rental value in your metropolitan area.

**Insurance**

In addition to the purchases or leases described above, you must obtain and maintain, at your own expense, comprehensive public liability, general liability, product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Restaurant's operation. All such insurance must contain the minimum liability coverage (on an occurrence and aggregate basis) we prescribe from time to time. Such insurance coverage may specifically include auto insurance on any vehicles that you may acquire for promotional events, residential, institutional or commercial deliveries, or other business activities in connection with the Restaurant. You must also maintain in force insurance covering: employee dishonesty; money and securities; and business interruption. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurers must meet with our approval including meeting our required minimum ratings from the rating agency we designate. These insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payment and your history. We currently require you to carry casualty insurance equal to the value of FF&E and leasehold improvements and a minimum $2,000,000 of liability insurance.

**Miscellaneous**

Except as described above, we and our affiliates do not currently derive revenue or other material consideration as a result of required purchases or leases. There currently are no purchasing or distribution cooperatives. We do negotiate purchase arrangements with suppliers for the benefit of franchisees and we may derive revenue or other material consideration as a result of required purchases or leases. We do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

| Obligation | Section in Agreement | Item in Disclosure Document |
|---|---|---|
| (a) Site selection and acquisition/lease | Franchise Agreement ("**FA**") Section 3; Collateral Assignment and Assumption of Lease<br>Area Development Agreement ("**ADA**") Section 3 | Items 7, 11 and 12 |
| (b) Pre-opening purchases/leases | FA Sections 3 and 4; Collateral Assignment and Assumption of Lease | Items 5, 6, 7, 8, 11 and 16 |
| (c) Site development and other pre-opening requirements | FA Sections 4, 5 and 6<br>ADA Section 3 | Items 6, 7 and 11 |
| (d) Initial and ongoing training | FA Section 6 | Item 11 |
| (e) Opening | FA Sections 4.3 and 4.4<br>ADA Section 3 | Item 11 |
| (f) Fees | FA Sections 5, 6.1, 11.1, 11.5, 11.6, 11.7, 14.3, 15.5, and 16.3<br>ADA Sections 4 and 5 | Items 5, 6 and 7 |
| (g) Compliance with standards and policies/Operating Manual | FA Sections 2.1, 3, 4, 6, 7, 8, 10, and 12<br>ADA Sections 3 | Item 11 |
| (h) Trademarks and proprietary information | FA Sections 7 and 8; Noncompete Agreement; Confidentiality, Non-Solicitation and Assignment of Inventions Agreement ("**Confidentiality Agreement**") | Items 13 and 14 |
| (i) Restrictions on products/services offered | FA Sections 4 and 10<br>ADA Section 3 | Items 11 and 16 |
| (j) Warranty and customer service requirements | None | None |
| (k) Territorial development and sales quotas | FA Sections 3 & 4<br>ADA Section 3 | Item 12 |
| (l) On-going product/service purchases | FA Sections 4 and 10<br>ADA Section 3 | Item 8 |
| (m) Maintenance, appearance and remodeling requirements | FA Sections 4, 10.5 and 15.1 | Items 11 and 17 |
| (n) Insurance | FA Sections 3.2, 3.3, 4.3 and 10.17 | Items 7 and 8 |
| (o) Advertising | FA Sections 4.4 and 11 | Items 6, 7 and 11 |

| Obligation | Section in Agreement | Item in Disclosure Document |
|---|---|---|
| (p) Indemnification | FA Sections 7.5 and 18.4; Section 3 of Collateral Assignment and Assumption of Lease; Section 4 of Conditional Assignment of Telephone Numbers and Listings Agreement | Item 6 |
| | ADA Section 8.3 | |
| (q) Owner's participation/ management/staffing | FA Sections 6, 9, 10.14 and 10.15; Noncompete Agreement; Confidentiality Agreement | Items 11 and 15 |
| (r) Records and reports | FA Sections 10 and 12 | Item 11 |
| (s) Inspections and audits | FA Section 13 | Items 6 and 11 |
| (t) Transfer | FA Section 14 | Items 6 and 17 |
| | ADA Section 6 | |
| (u) Renewal | FA Section 15 | Items 6 and 17 |
| (v) Post-termination obligations | FA Section 17; Noncompete Agreement; Confidentiality Agreement | Item 17 |
| (w) Non-competition covenants | FA Sections 8.3, 9, 10.15, 14.3 and 17.5; Noncompete Agreement; Confidentiality Agreement | Item 17 |
| (x) Dispute resolution | FA Sections 19.3, 19.5-19.14 and 20; Section 11 of Collateral Assignment and Assumption of Lease; Section 9 of Conditional Assignment of Telephone Numbers and Listings Agreement; Noncompete Agreement; Confidentiality Agreement | Item 17 |
| | ADA Section 9.3, 9.5-9.14 | |

## ITEM 10
## FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

Franchisees of the BURGER 21® system are eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, www.franchiseregistry.com.

## ITEM 11
## FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

**Except as listed below, we are not required to provide you with any assistance.**

**<u>Pre-Opening Obligations: Before you open the Restaurant, we will:</u>**

1. Accept or reject a site you propose for the Restaurant within 30 days after we receive the complete site report and other materials we request. You must identify a potential suitable site that meets our then-current criteria for BURGER 21® Restaurants within 90 days of date of your

Franchise Agreement. You must sign a lease or otherwise obtain the right to occupy a Site that we have accepted within 180 days of signing the Franchise Agreement. The Site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other BURGER 21® Restaurants, the nature of other businesses in proximity to the Site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed Site. (Franchise Agreement - Section 3.1) We may terminate the Franchise Agreement if you and we are unable to agree on a location for the site, or if you have not obtained a fully signed lease agreement for the site, within 6 months of the date of the Franchise Agreement. (Franchise Agreement - Section 3.5) Any extensions of the time period to sign a lease or otherwise obtain the right to occupy a site are subject to our then-current extension policy, which may require you to pay us additional fees.

2. Furnish you with mandatory and suggested specifications and layouts for a BURGER 21® Restaurant, including requirements for dimensions, color scheme, image, interior layout, exterior layout, decor, and Operating Assets which include fixtures, equipment, signs, furnishings and color scheme. (Franchise Agreement - Section 4.1)

3. Provide you with a list of suppliers for certain development services and opening assets: signage, fixtures, inventory, etc.; approve architects to prepare (at your expense) all required construction plans based on our design drawings and specifications; approve construction contractors to construct your Restaurant (at your expense); review all construction plans and specifications before you begin constructing the Restaurant and all revised or "as-built" plans and specifications during construction. You must give us notice of commencement of construction of your Restaurant within 5 days of its beginning date and progress reports at least every other week. Construction of the Restaurant must be completed within 180 days of our Site acceptance. We will provide specifications on décor of your Restaurant. We have the right to change and/or upgrade décor. (Franchise Agreement - Sections 4.1 and 4.2)

4. Identify the fixtures, furnishings, equipment (including computer hardware and software), food and beverage products, retail merchandise, materials and supplies necessary for the Restaurant to begin operations, the minimum standards and specifications that must be satisfied and the suppliers from whom these items may be purchased or leased (including us and/or our affiliates). (Franchise Agreement - Section 10.10 and 10.11)

5. Loan you one copy of our Manuals, via electronic access or otherwise. (Franchise Agreement - Section 10.1)

6. Once you have satisfied the pre-opening conditions described in the Pre-Opening Agreement and delivered to us a copy of the certificate of occupancy for your Restaurant, we will provide management and training assistance for 1 week prior to the opening and 1 week after the opening. A copy of the Pre-Opening Agreement is attached as Exhibit C to the Franchise Agreement. For an Area Development Agreement, the management and training assistance will only be provided for the first 2 Restaurants. After the first 2 Restaurants, we will provide a company representative for at least a period of 3 days to include the opening date of the Restaurant. (Franchise Agreement – Section 6.4 and Area Representative Agreement - Section 5.1)

7. Assist you in your planning and implementing the grand opening advertising and promotional program for the Restaurant. (Franchise Agreement - Section 4.4)

8. Train you and 3 other managers (or if you are a Business Entity, up to 5 of your owners and managers). (Franchise Agreement - Section 6.1) Prior to attending initial training, you and 3

other managers must be certified in the Food Protection Manager Course and Alcohol Course through vendors approved by us. This training is described in detail later in this Item.

9. Provide kitchen training for up to 4 of your experienced line cooks. (Franchise Agreement - Section 6.2) This training is described in detail later in this Item.

**Time To Opening**

We estimate that there will be an interval of 9 to 12 months between the signing of the Franchise Agreement and the opening of the Restaurant, but the interval may vary based upon such factors as the location and condition of the Site, the construction schedule for the Restaurant, the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment and supplies, delays in securing financing arrangements and completing training and your compliance with local laws and regulations. You may not open the Restaurant for business until: (1) we approve the Restaurant developed according to our specifications and standards; (2) pre-opening training has been completed to our satisfaction and an Opening Team has been scheduled to supervise the opening of your Restaurant; (3) the initial franchise fee and all other amounts then due to us have been paid; (4) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request; and (5) we have received signed counterparts of all required documents pertaining to your acquisition of the Site. You must open the first Restaurant for business within 12 months following signing the Franchise Agreement and within 21 days after we notify you that the Restaurant is ready to open. (Franchise Agreement - Section 4.3) Any extensions of the time period to open your Restaurant are subject to our then-current extension policy, which may require you to pay us additional fees.

**Post-Opening Obligations:**

During your operation of the Restaurant, we will:

1. Advise you from time to time regarding the operation of the Restaurant based on reports you submit or inspections we make. In addition, we will provide guidance to you on standards, specifications and operating procedures and methods utilized by Restaurants; purchasing required Operating Assets; products and supplies and arranging for their distribution to you; recipes, food preparation methods, and menu items; use of suppliers, approved products, volume buying; advertising and marketing materials and programs; team member training; and administrative, bookkeeping and accounting procedures. Such guidance may include food and beverage cost tools and other financial information that we periodically prepare or compile and share with franchisees. Any such information is provided without warranty as to its completeness or accuracy, as there may be occasional errors or variations among unit measurements or market conditions that can affect the numbers or projections. Ongoing guidance will, at our discretion, be furnished in our Manual, bulletins or other written materials; by electronic media; and/or during telephone consultations and/or consultations at our office or the Restaurant. (Franchise Agreement - Section 6.6)

2. Furnish you, at your request, with additional guidance, assistance and training. The charge for additional guidance, assistance and training will be the actual cost incurred by us. (Franchise Agreement - Section 6.6)

3. Loan you one copy of the Manuals, consisting of such materials (which may be furnished in various electronic formats (including via website access) computer software and written materials) that we generally furnish to franchisees for use in operating Restaurants. We may loan

the Manuals to you with print versions or only electronically. The Manuals contains mandatory and suggested specifications, standards, operating procedures and rules ("**System Standards**") that we prescribe from time to time for operation of a BURGER 21® Restaurant and information relating to your other obligations under the Franchise Agreement and related agreements. The Manuals may be modified, updated and revised periodically to reflect changes in System Standards. (Franchise Agreement - Section 10.1)

4. Issue, modify and supplement System Standards for BURGER 21® Restaurants. We may periodically modify System Standards, which may accommodate regional or local variations as we determine, and these modifications may obligate you to invest additional capital in the Restaurant and/or incur higher operating costs. However, these modifications will not alter your fundamental status and rights under the Agreement. (Franchise Agreement - Section 10.3)

5. Inspect and observe, photograph and videotape the operations of the Restaurant; remove samples of any products, materials or supplies for testing and analysis; interview the Restaurant's customers and personnel; and inspect and copy any books, records and documents relating to the operation of the Restaurant from time to time to assist you in complying with the Franchise Agreement and all System Standards. (Franchise Agreement - Section 13.1)

<u>**Advertising Fund**</u>

We have established and administer an Advertising Fund for the creation and development of marketing, advertising and related programs and materials on a system-wide basis. You must contribute amounts we prescribe from time to time. The contribution amount is currently 1.0% of your Gross Sales up to $1,500,000 per fiscal year and 0.5% of your Gross Sales above $1,500,000 per fiscal year to the Advertising Fund; however, we may increase the contribution up to a total of 1.5% of Gross Sales. The reduction will start the first full week following the week you reach the $1,500,000 threshold and will revert to the initial threshold rate (up to $1,500,000) at the beginning of the next year. We direct all programs financed by the Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the programs. The Advertising Fund will be used to pay the costs of preparing and producing video, audio and written and digital advertising materials; developing, enhancing and maintaining an electronic commerce website including online ordering, menu layout and design; administering system-wide, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail, internet, social media and other media advertising and employing advertising, promotion and marketing agencies; vendors providing marketing services; development, implementation and maintenance of online asset management tools; search engine optimization; development, implementation and maintenance of a loyalty program; marketing and advertising training programs and materials; and supporting public relations, market research and other advertising, promotion and marketing activities. We maintain ownership of all market research, designs, copyrights, and other data, materials and property financed through the Advertising Fund. The Advertising Fund will periodically furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of such materials may be furnished to you at our direct cost of producing them or available for you to order, plus any related shipping, handling and storage charges. We maintain administrative rights and access to any National Social Media platforms including but not limited to Facebook & Twitter. (Franchise Agreement Sections 11.1 and 11.2)

The Advertising Fund is not our asset. Although the Advertising Fund is not a trust, we will hold all Advertising Fund contributions for the benefit of the contributors and use the contributions only for the purposes as stated in this paragraph. We do not owe any fiduciary obligation to the franchisees for administering the Advertising Fund or for any other reason. The Advertising Fund is accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead, including rent and utilities, as we may incur in activities related to the administration of the Advertising Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Advertising Fund. All interest earned on monies contributed to the Advertising Fund will be used to pay advertising costs before other assets of the Advertising Fund are expended. We may spend, on behalf of the Advertising Fund, in any fiscal year, an amount greater or less than the aggregate contribution of all Restaurants to the Advertising Fund in that year. The Advertising Fund may borrow from us or others to cover deficits or invest any surplus for future use. If we lend money to the Advertising Fund, we may charge interest at an annual rate 1% greater than the rates we pay our lenders. We will prepare an unaudited annual statement of monies collected and costs incurred by the Advertising Fund and will furnish a copy of the statement to you upon written request. We have the right to cause the Advertising Fund to be incorporated or operated through a separate entity at such time as it deems appropriate, and the successor entity will have all of the rights and duties described in the Franchise Agreement. (Franchise Agreement – Section 11.3)

The Advertising Fund is intended to maximize recognition of the Marks and patronage of BURGER 21® Restaurants. Although we will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all BURGER 21® Restaurants, we undertake no obligation to ensure that expenditures by the Advertising Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Advertising Fund by BURGER 21® Restaurants operating in that geographic area or that any BURGER 21® Restaurants will benefit directly or in proportion to its contribution to the Advertising Fund from the development of advertising and marketing materials or the placement of advertising. We assume no other direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Advertising Fund. (Franchise Agreement – Section 11.4)

Franchisee contributions to the Advertising Fund will generally be on a uniform basis, but we reserve the right to defer or reduce contributions of a franchisee and, upon 30 days' prior written notice to you, to reduce or suspend contributions to and operations of the Advertising Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Advertising Fund. If the Advertising Fund is terminated, all unspent monies on the date of termination will be distributed to franchisees in proportion to their respective contributions to the Advertising Fund during the preceding 12 months. We and our affiliates will contribute to the Advertising Fund on the same basis as franchise owners for any BURGER 21® Restaurants they own and operate. (Franchise Agreement - Section 11.1)

During the fiscal year ending March 28, 2017, the Advertising Fund spent an amount less than the aggregate contributions made to the Advertising Fund, as follows:

| Item | % Spent |
|---|---|
| Production | 84.08% |
| Media Placement | 0 |
| Administrative Expenses | 27.99% |
| Other (market research) | 6.71 |
| Total | 118.78% |

The Franchise Agreement authorizes us to spend in any fiscal year an amount greater or less than the aggregate contributions of BURGER 21® Restaurants to the Advertising Fund in that year. Any contributions that remained in the Advertising Fund at March 28, 2017 have been carried forward for use by the Advertising Fund in 2017.

None of the Advertising Fund is used principally to solicit franchisees.

**Advertising Council**

We do not have a formal advertising council. However, we created a franchisee advisory council in February 2015 for the purpose of advising us on issues related to the BURGER 21® system, including advertising and marketing, operations, and other matters. We refer to this advisory council as the "Be Better Group" or "BBG." The BBG serves in an advisory capacity only; its decisions are not binding on us. It currently has 3 members. Any person with more than 25% ownership interest in a franchise that has been in operation for more than 9 months and is in compliance with their franchise agreement is eligible for membership in the BBG. We have the power to form, change, or dissolve the BBG at any time, and the right to change the bylaws and governing rules of the BBG and any successor association.

**Local Advertising**

In addition to your required contributions to the Advertising Fund and the required grand opening advertising expenditures, you are obligated to spend for advertising and promotion of the Restaurant not more than 3% of your Gross Sales each fiscal year (or other measurement period specified by us in the Manuals). Currently, the obligation is 3% of your Gross Sales on sales up to $1,500,000 per fiscal year and 2% of your Gross Sales above $1,500,000 per fiscal year, but the reduction only applies to those sales in excess of the $1,500,000 threshold in any given fiscal year. The reduction will start the first full week following the week you reach the $1,500,000 threshold and will revert back to the standard rate of 3% of Gross Sales (up to $1,500,000) at the beginning of the next fiscal year. We may require you to submit an advertising expenditure report accurately reflecting all local advertising expenditures. If we determine that you have not spent the requisite amounts, we may: (a) require you to pay the unexpended amounts into the Advertising Fund or (b) reimburse us for amounts that we spend on your behalf to satisfy your local advertising obligation, plus our related expenses. The Manuals will outline which types of expenses count towards the 3% local advertising spend.

If other franchise owners operate BURGER 21® Restaurants in the market area serviced by telephone, on-line or other directories, then you must participate in and pay your pro rata share (based on number of Restaurants) of the cost of such listings and advertising. (Franchise Agreement – Section 11.6) You will be subject to our then-current social media policies, as described in the Manuals. We reserve the right to modify our policies and guidelines from time to time. The creation of any URL including BURGER 21®, or any variation of the name, is strictly prohibited without prior written consent from the Marketing Department of the Restaurant Support Center.

All advertising, promotion and marketing must conform to our brand standards and be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. You must obtain and send us copies of all copyright authorizations and permissions that may be necessary from the appropriate parties. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved or you have made adjustments to previously approved materials must be submitted for approval before you use them. In the unlikely event that you do not receive written approval within 15 days after we receive the materials, we will be deemed to have given the required approval, unless we have notified you prior to expiration of the review period that our review will take longer than 15 days, whether due to the nature of the proposed materials or other reasons. Our notice to you will specify the number of additional days for our review. You must not use any advertising or promotional materials that we have disapproved, whether or not you have already printed or developed them. We reserve the ability to prohibit or restrict participation in certain coupons or promotions, including, but not limited to, Groupon and Living Social. (Franchise Agreement - Section 11.6)

**Advertising Co-op**

If we decide that an association of franchisees is to be established in your geographic area for marketing, advertising and promotion, you must join and actively participate. The Co-op contribution amount will be determined by the Co-op, but will not exceed 3% of Gross Sales. We may from time to time limit or reduce the maximum contribution amount, which reduction may be temporary. Currently, the maximum Co-op contribution is 3% on Gross Sales up to $1,500,000 per fiscal year and 2% on Gross Sales above $1,500,000 per fiscal year. Your local advertising requirement may be satisfied by the contributions to the Co-op. When an Advertising Co-op exists, there may be no additional local advertising requirements for the placement of media or advertising beyond the required participation and contributions to the Co-op if the Co-op assesses the full amount of 3% of Gross Sales; however, this does not include in-store sales and promotional collateral that we may require from time to time.

We will determine whether a Co-op should be formed for your market. Your failure to timely contribute the amounts required by the Co-op constitutes a material breach of your franchise agreement and we may offset against any amounts we owe to you the amount of your Co-op contributions and pay such contributions for you. We determine the area and membership of each advertising cooperative by media coverage or other criteria which we may establish in our discretion. Each franchisee's contribution is calculated based as a percentage of their sales. The advertising cooperatives will operate from written governing documents approved by the members and are available on request; but none currently exist. Generally they are to be administered by their members. Each Co-op will be required to prepare annual financial statements for its members. We reserve the right to audit any accounts or funds collected by the cooperative. Restaurants we own have voting rights in the advertising cooperatives and must also make contributions. All members will contribute on the same basis and will have 1 vote per Restaurant or 2 votes total if they own more than one. (Franchise Agreement – Section 11.7) All advertising by the Co-op is subject to our rules for governing any other advertising you perform and is subject to our approval. We may dissolve the Co-ops at any time or merge them with others.

There are no Co-ops as of the issuance date of this disclosure document.

**Hardware and Software Requirements**

We currently require you to purchase the Revel POS system. The Revel POS system includes the cloud based server, remote terminals, remote printers, kitchen display system, cash drawers, power supplies, hubs, related cables, POS software and credit card swipes. The Revel POS system is integrated with the Revel online ordering system. This system allows customers to create orders online that pass directly to the POS system. The cost of the POS system is estimated to range from $7,000 to $16,000. There is also a monthly maintenance fee of $250 to $500 for the Revel POS system and for the Revel online ordering system. We may modify the POS and other computer hardware and software requirements from time to time.

You must subscribe to the Syrus internet-based back-office restaurant management system, which is designed to manage and report on purchasing, inventory, labor, sales, product mix, and cost of goods. The Syrus system is an essential management tool. You will set up your subscription with, and pay the initial and on-going fees directly to, Syrus, Ltd., located at 1328 Dublin Road, Columbus, Ohio 43215. You must pay a one-time set-up fee of $195 (per Restaurant), plus on-going subscription fees of $165 per month (per Restaurant). The monthly subscription price includes the software application, enhancements, ongoing support, hosting, and data management. You may be required to pay additional fees if you require any custom reports or extracts. These additional fees are quoted by Syrus, Ltd. on an as-needed basis. We may, in the future, require you to pay these fees directly to us, if we become a re-seller of the software.

Syrus utilizes a centralized database, the content of which is our sole property. You will have direct access to your data via the internet. We will have daily independent access via the internet to your information and data from your use of the Syrus software. There are no contractual limitations on our right to access this information and data. Though we don't own the Syrus system, we do own the rights to the customer data. We do not intend to charge you a separate fee for the rights to use this database; however, we may assess user fees in the future for the purpose of updating and maintaining this database. We may in the future also require the use of software and hardware, which you will be responsible for paying for and servicing, which will enable you to become a "thin client" user with us acting as a host, housing the software and programs which you will use. We reserve the right to charge you a reasonable fee for those hosting services.

You must maintain compatibility with the Syrus software and be capable of sending and receiving information to us in the means we designate (including via wireless network). You must purchase and maintain computer hardware that allows you to access the Syrus software and any other software that we prescribe in the Manuals from time to time. We currently require an Intel Processor 3.2 GHZ or faster personal computer, which operates with Microsoft Windows 8.1 or a more current Windows operating system with Microsoft .Net Framework, and at least 4 GB of RAM, a monitor with a resolution of 1920x1080 or higher; and a HP or Canon inkjet or laser multifunction printer (scanner/copier/printer). You will also be required to purchase, install and use a firewall - we recommend the Dell Sonicwall SOHO. We estimate the cost of the required computer system will be approximately $1,200. You may be required to add additional capacity to the computer. We estimate the cost of adding capacity to the computer to be approximately $50 to $300 every 3 years.

You must use accounting software that is compatible with the Syrus system, as prescribed by us in the Manuals. We may require you to use an accrual method of accounting and to comply with other requirements prescribed by us in the Manuals from time to time.

You must also utilize FusionPrep, a digital kitchen solution, in the operation of your Restaurant. The FusionPrep software is provided by our designated third party provider. You must pay an initial fee ranging from $1,200 to $1,880 plus ongoing monthly fees (currently $30 per month per iPad, with a requirement of 3 iPads) for FusionPrep. These fees are paid directly to the third party provider. The FusionPrep digital software solution is downloaded to one or more iPads for use in operating the Restaurant. You may purchase the iPads from FusionPrep or from any vendor you choose. You can access our training and operations manuals through FusionPrep. You can also use FusionPrep for tracking inventory.

We require franchisees to maintain a wireless internet connection, with WiFi access at the Restaurant for all customers, as prescribed in the Manuals. Our robust WiFi system requirements cost up to $1,000 for access points and install. We do not currently have a required provider, but reserve the right to do so.

Your computer system, as a whole, must be compliant with the standards created by the PCI Security Standards Council, including new or modified requirements. You must have adequate firewalls and antivirus software as required in the PCI Data Security Standards.

Neither we, our affiliates, nor any third party provider has any obligation to provide ongoing maintenance, repairs, upgrades or updates. We estimate that the annual cost of any optional or required maintenance, updating, upgrading or support contracts to be $100 to $500.

Gift Cards are currently issued and redeemed electronically through the POS system using a card similar to a credit card. All amounts collected by you for Gift Cards issued will be deposited into an account established by you (the **"Gift Card Account"**). Our third party processor will maintain all records of cards issued and redeemed. Gift card processing is currently $4.95 to $29.95 per month (flat fee), with $0 per transaction. These amounts are billed directly to you from our designated vendor. You will complete an electronic funds transfer agreement so that we may access your Gift Card Account so that any monies owed to you for Gift Cards you redeem may be deposited and monies you collected for Gift Cards may be deducted from your Gift Card Account on a weekly basis. You must follow our rules and procedures governing the offer, sale and redemption of Gift Card transactions, as modified from time to time, including responsibility for Gift Card obligations and for Gift Card sales made through your Restaurant.

**Training**

***Initial Training***

For a single Restaurant franchise or an Area Development Agreement consisting of a maximum of 3 Restaurants, we will require between 4 and 5 managers, including you or your designated manager (acceptable to us) with responsibility for the on-premises supervision of the Restaurant and its employees, to complete our initial training program (the **"Initial Training"**). If the franchise relates to the first or second BURGER 21® Restaurant operated by you or your affiliates, then we will provide initial training for up to 5 people at no charge. We will determine the number of required trainees, in our sole discretion, based on your prior business experience and any other factors we consider appropriate to our determination. If a designated manager will be responsible for the direct on-premises supervision of your Restaurant, we may still require you (or one of your owners acceptable to us) to attend portions of the Initial Training, as determined by us, in our sole discretion. For an Area Development Agreement that contains a minimum of 4 Restaurants, you or a designated representative that we have approved and a minimum of 3 other managers must complete the Initial Training program that we provide (we provide initial training for up to 5 people at no charge for the first and second BURGER 21® Restaurants owned by you or your affiliates). Initial Training must be completed no earlier than 120 days but no later than 30 days prior to opening. Training schedules have been established on a rotating basis throughout the year. You may select designated start dates to attend Initial Training according to our annual training calendar. Initial Training will only be conducted during the dates specified on the annual training calendar or other dates that we specify. It is your responsibility to ensure that all training requirements are completed. If you or your managers have already completed Initial Training, and as long as you are in compliance with the Franchise Agreement and all operating standards and specifications, we will not require you to repeat this Initial Training for any additional Restaurants, as long as you have 3 managers that have completed Initial Training at our Restaurant Support Center and/or BURGER 21® Restaurant in Tampa, Florida and are certified by our training team.

For franchisees with prior foodservice background, the Initial Training is approximately 7 to 10 weeks at our Restaurant Support Center and/or at our affiliates' BURGER 21® Restaurants in Tampa, Florida. For franchisees that are new to the restaurant business, or have limited restaurant experience, the Initial Training is approximately 8 to 11 weeks. We will determine the duration of the Initial Training, in our sole discretion, based on our assessment of your background and business experience and training needs.

*Line Cook Training*

In addition to Initial Training, you must send either 3 or 4 experienced line cooks to our affiliates' BURGER 21® Restaurants in Tampa, Florida, for kitchen training ("**Line Cook Training**"). We reserve the right to designate a franchised BURGER 21® Restaurant located outside of Tampa, Florida to host/provide Line Cook Training, where appropriate and determined by us in our sole discretion. Line Cook Training lasts for approximately 1 to 2 weeks. We will determine the duration of Line Cook Training in our sole discretion, based on our assessment of your line cooks' background and experience. Line Cook Training must be completed no earlier than 30 days and no later than 10 days prior to opening. Failure to comply with this additional training may delay your opening.

You are responsible for all compensation, travel, lodging and living expenses which you and your personnel incur in connection with any training program. Each person who attends training may be required to sign and deliver to us a liability waiver and release form; a non-competition agreement; and a confidentiality, non-solicitation and assignment of inventions agreement, in forms reasonably satisfactory to us.

Currently, our Initial Training and Line Cook Training consist of the following:

**TRAINING PROGRAM**

| Subject | Hours Of Classroom Training | Hours Of On The Job Training[1] | Location |
|---|---|---|---|
| Initial Training: Orientation | 5 | 0 | Restaurant Support Center and BURGER 21® Restaurant, Tampa, Florida |
| Initial Training: Kitchen - Dish and Prep | 2 | 28 | BURGER 21® Restaurant, Tampa, Florida |
| Initial Training: Kitchen – Cold, Grill, Sauce/Fry | 5 | 72 | BURGER 21® Restaurant, Tampa, Florida |
| Initial Training: Kitchen - Management<br>Or<br>Initial Training: Front of the House Management | 0<br>OR<br>43 | 288 - 360<br>OR<br>288 - 360 | BURGER 21® Restaurant, Tampa, Florida<br>OR<br>Restaurant Support Center and BURGER 21® Restaurant, Tampa, Florida |
| Initial Training: Shaker | 2 | 16 | BURGER 21® Restaurant, Tampa, Florida |
| Initial Training: Mover | 2 | 10 | BURGER 21® Restaurant, Tampa, Florida |
| Initial Training: Taker | 2 | 10 | BURGER 21® Restaurant, Tampa, Florida |
| Line Cook Training | 2 | 40-80 | BURGER 21® Restaurant, Tampa, Florida |
| **TOTAL** | **20 - 63** | **464-576** | |

The materials used in training include the Manual, as well as other presentation materials including handouts and job-aids, and may also include educational gaming and e-learning programs. It is the nature of the BURGER 21® Restaurant business that all aspects of training are integrated, that is, there are no definitive starting and stopping times. Training will be conducted by the following individuals:

**Megan Walling** has more than 17 years of restaurant experience and 10 years as a new store opening team member. She has been with us since August 2013, currently our Training Manager.

Previously, she worked for our affiliate as a server and key employee of The Melting Pot® Restaurant in Tampa, Florida.

**Mike Remes** has more than 15 years of restaurant experience and 10 years as a kitchen trainer. He has been with us since October 2010, currently our Corporate Chef and Field Trainer. Previously, from September 2008 to March 2010, he was General Manager of Jake's Wayback Burgers in Tampa, Florida.

You must pay us a fee of $200 for each management trainee / participant attending the Food Protection Manager Course and the Alcohol Course, if not completed prior to the start of Initial Training. All managers must satisfactorily complete the Food Protection Manager Course and the Alcohol Course. An equivalent course may be offered locally in your area. If you complete an equivalent local course approved by us, you must submit a certificate of completion to us prior to pre-opening training.

If you own 4 or more Restaurants, you must hire someone to act as your "network trainer" to oversee training in your Restaurants. The "network trainer" must attend specific training we designate to enable them to train others and improve their training skills. This will require the "network trainer" to meet our training qualifications, requirements and certifications.

**<u>On-going Training/Annual Events/Training Seminars</u>**

We may require you, or your owners, and/or your managerial level employees to attend periodic refresher training courses at such times and locations that we designate. We currently charge a fee between $200 and $1,500 per person for attendance at a refresher training course. We also require you (or one of your principal owners) and one managerial employee to attend an annual conference and other periodic conferences and seminars (up to a maximum of 7 calendar days per year) at locations that we designate, and we may charge a registration fee to cover our expenses for such conference or seminar. Failure to attend required training, conference or seminar will result in a Compliance Fee of up to $1,500 as determined by us. Any deviations or substitutions are subject to our approval.

If you fail to operate your Restaurant in compliance with system standards, we may require you (or your owners) and/or your managerial employees to attend and satisfactorily complete a remedial standards retraining course. Our current fee for remedial standards retraining is $1,200 per person. We also have the right to impose a Compliance Fee (up to $1,500) if you fail to attend any required training.

We may develop and implement "e-learning" online training tools and provide part of the initial training and all or any portion of ongoing training to you and your employees via e-learning. We anticipate implementing e-learning within the next 2 to 4 years. If we do, we may provide part of the initial training and all or any portion of ongoing training to you and your employees via e-learning. We may charge you an initial set-up fee, plus ongoing access and/or design/development fees for any e-learning that we develop and make available to you, as determined by us in our sole discretion. If we implement e-learning tools, we estimate that ongoing access fees would be approximately $150 to $500 per Restaurant per year and ongoing design/development fees would range from $75 to $1,500 per Restaurant per year. However, the actual fee amounts could be higher or lower than these estimates.

**<u>Operations Manual</u>**

Currently, our Manuals consist of the Operations Manual and Marketing Manual. The tables of contents of our Manuals as of the date of this disclosure document are specified in Exhibit "G." We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. You may not make any unauthorized copies of the Manuals.

## ITEM 12
## TERRITORY

**Unit Franchise**

The franchise is granted for a specific location that first must be accepted by us (the "**Site**"). The trade area (the "**Trade Area**") of a BURGER 21® Restaurant located in a suburban retail area generally consists of the Site and the geographic area delineated by metes and bounds up to 2 miles in diameter to the North and South of the Site and to the East and West of the Site, although we may vary its size under special circumstances. However, the Trade Area of a BURGER 21® Restaurant located in a densely populated urban area generally consists of the Site and the geographic area delineated by metes and bounds not to exceed 1/8 of a mile in diameter from the Site. This includes, for example, dense major metropolitan areas such as Manhattan, Los Angeles, and Chicago. We will not accept a Site within the Trade Area of any other BURGER 21® Restaurant.

As long as you are in compliance with the Franchise Agreement, we will not grant a franchise for, nor ourselves operate, a BURGER 21® Restaurant within your Trade Area, except for BURGER 21® Restaurants located at Institutional Facilities (as defined below). Other than your right to operate the Restaurant in its Trade Area, we do not grant you any territorial rights whatsoever. We may establish other BURGER 21® Restaurants (franchised or owned by us) anywhere that may compete with your location. In each case, the actual Trade Area will be described on Exhibit A to the Franchise Agreement and may be supplemented by an attached map where we deem it necessary to clarify it.

Although we grant you some territorial protection, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

**Area Development Program**

The Area Development Program is granted for specific geographical areas (the "**Development Area**") as identified in the Area Development Agreement. There is no minimum territory granted under an Area Development Program. The Development Area may be different geographical locations throughout the United States. If you comply with the Development Agreement and all franchise agreements with us, then during the term of the Development Agreement, we will not operate (directly or through an affiliate) nor grant a franchise for the operation of a BURGER 21® Restaurant to be located within the Development Area (excluding Institutional Facilities), except for franchises granted to you. If you do not meet the Development Schedule, you will breach the Development Agreement. We may then elect to terminate the Development Agreement and you will forfeit any unused balance of the Development fee that you have paid to us. The criteria for our approval of a Site for any Restaurant in the Development Area will be as identified in our then-current Franchise Agreement, which may differ from the Franchise Agreement attached to this disclosure document as Exhibit "B."

You will not receive an exclusive territory. You may face competition from other franchisees, from Restaurants that we own, or from other channels of distribution or competitive brands that we control.

**Rights We Retain**

We (and our affiliates) retain the right to:

1. solicit prospective Franchisees and grant other persons Franchises, or other rights to operate BURGER 21® Restaurants through national or regional advertising, trade shows or conventions, or through the Internet, Intranet or other forms of e-commerce or through similar means, wherever located, including your Restaurant.

2. host prospective and current franchisees at your Restaurant and conduct tours in your Restaurant (you will be paid for any food and beverage ordered);

3. own and operate BURGER 21® Restaurants ourselves or through affiliates anywhere, except that we will not operate a BURGER 21® Restaurant in your Trade Area (subject to our reserved rights for Institutional Facilities, as described below);

4. sell, solicit, recruit and provide services for BURGER 21® Restaurants or any business or franchised business not defined as a BURGER 21® Restaurant in your Franchise Agreement;

5. sell, and provide the products and/or services authorized for sale by, BURGER 21® Restaurants under the Marks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels (like telephone, mail order, kiosk, co-branded sites and sites located within other retail businesses, Intranet, Internet, web sites, wireless, email or other forms of e-commerce), including the sale and distribution of food products in grocery and other retail stores, for distribution within and outside of your Trade Area and with such terms and conditions as we consider appropriate;

6. establish, and license others to establish, restaurants identified in whole or in part by the name and mark BURGER 21® and/or utilizing the System anywhere, including the Trade Area, that are located in facilities like airports, train stations, bus stations, service plazas, stadiums, arenas, convention centers, military and governmental facilities, educational institutions and campuses, hospitals, recreational theme parks, business or industrial food service venues, venues in which food service is or may be provided by a master of concessioner or contract food service provider, warehouse clubs, Indian reservations, casinos, gas stations, convenience stores, hotels, parks and other seasonal facilities, snack bar trucks, or any similar institutional or captive market location not reasonably available to you ("**Institutional Facilities**");

7. acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at BURGER 21® Restaurants, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in your Trade Area);

8. be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at BURGER 21® Restaurants, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Trade Area;

9. conduct all internet related, e-commerce, social media and related communications relating to the operation of BURGER 21® Restaurants or the selling of services offered at any of the BURGER 21® Restaurants. In this connection, we will have the sole right to establish one or more

websites that contain any of the Marks or that advertise, market or promote any of the services that we authorize for BURGER 21® Restaurants. You must follow our rules and policies with respect to the use of the internet and social media, both for advertising and marketing, and for the conducting of electronic commerce. We may engage in internet and e-commerce, marketing, promotion and operation even if those activities affect customer relationships within your Trade Area;

10. offer, promote and perform delivery and catering services, whether or not using the Marks, anywhere;

11. solicit prospective franchisees for, and own and operate, businesses and restaurants of any other kind or nature, anywhere; and

12. vary System Standards or other aspects of the System for any franchise owner. You have no right to require us to grant you a similar variation or accommodation.

We may from time to time develop alternate formats and/or service models for BURGER 21® Restaurants, which may differ from the BURGER 21® Restaurant offered in this disclosure document. Variations may include, for example but not limited to, a larger or smaller restaurant size and seating capacity (e.g., limited seating or no seating); a limited or modified menu; and/or a full-service bar. These restaurants may operate under the BURGER 21® marks or modified marks, as determined by us.

**<u>Certain Trade Area Exclusions.</u>**

Due to the territorial rights and restrictions, as well as the rights we retain, we have no restrictions from soliciting or accepting orders from consumers inside your Trade Area, and we do not pay compensation for soliciting or accepting orders from inside your Trade Area. Likewise, although you may solicit or accept orders from consumers outside of your Trade Area, you may find that it is not economical to do so and we encourage you to refer customers to the BURGER 21® Restaurant closest to them. You do not have the right to utilize other channels of distribution to solicit or accept orders from consumers, like the internet, telemarketing or other direct marketing, either inside or outside of your Trade Area. You may use the internet to advertise our services only in compliance with the Franchise Agreement and we may allow internet ordering at your Restaurant. We may develop catering and delivery programs with rules for geographic coverage as well as other requirements. We will describe any such programs in our Manuals or other written directives that we furnish to you.

As described above, we reserve the right to establish and operate, or grant rights to others to establish and operate, BURGER® 21 Restaurants or any other restaurant concept at Institutional Facilities, wherever located. Institutional Facilities are excluded from your Trade Area.

We have not established other franchised or company-owned restaurants or other channels of distribution for selling products or services substantially similar to the products or services sold by BURGER 21® Restaurants but under a different trademark, however, we reserve the right to do so. However, we may create other restaurant concepts and/or alternate formats or service models for BURGER 21® Restaurants, which may be offered as franchises in the future. Additionally, our affiliates offer franchises for restaurants offering a wide variety of menu items and serving a variety of food and beverages, featuring fondue under THE MELTING POT® trade name and business system.

We have affiliates that currently operate and manage 3 franchised THE MELTING POT® Restaurants located in St. Petersburg, Sarasota, and Tampa, Florida, which are owned, in part, by one of our shareholders, directors and officers. Our affiliate maintains physically separate offices and training facilities.

Our affiliates own and operate full-service restaurants under the service mark GRILLSMITH®. As of March 29, 2016, there were 4 GRILLSMITH® Restaurants, all located in the Tampa Bay, Florida area. GRILLSMITH® restaurants feature a chef-inspired menu, which includes steak, seafood and burgers, all prepared in a contemporary cooking style that combines traditional techniques with modern twists. The restaurants also serve a wide selection of wines and craft beers. Our affiliates maintain physically separate offices and training facilities. We have no current plans to offer franchises or expand the GRILLSMITH® concept outside of its current market. See Item 1 for more information on our affiliates.

THE MELTING POT® and GRILLSMITH® Restaurants may be located within, and solicit and accept orders from, the territories of BURGER 21® Restaurants. However, we do not believe that these restaurants offer goods and services substantially similar to those offered by BURGER 21® Restaurants, since each restaurant concept has its own unique menu and business format although some menu items may overlap. Patrons of these restaurant concepts may also overlap.

If your lease for the premises of the Restaurant terminates, with or without your fault, or if in our judgment there is a change in the character of the location of the Restaurant sufficiently detrimental to its business potential to warrant its relocation, we may, in our sole discretion, grant permission for relocation of the Restaurant to a location within the Trade Area approved in writing by us. In the absence of such permission to relocate, the Franchise Agreement will automatically terminate upon the loss of the right to continue to occupy the premises of your Restaurant. Any approved relocation will be at your sole expense and you must reimburse us for any and all costs and expenses incurred by us in connection with the relocation. We will only submit for reimbursement and you will only be obligated to repay, the actual out-of-pocket expenses we incur in connection with such relocation. We will provide you with reasonable verification of such costs and expenses.

There is no minimum sales quota. You retain your rights to your Trade Area even though the population increases. You also retain any rights to the development area even if the population increases.

We have not established, and do not currently intend to establish, other franchises or company-owned outlets selling or leasing similar products or services under a different trademark.

Other than our area development program (see Items 1 and 5), we do not grant options, rights of first refusal or similar rights to acquire additional franchises, as each franchise is awarded on a franchise-by-franchise basis. Accordingly, you may only acquire additional franchised BURGER 21® Restaurants from us if you meet our qualifications at the time you apply. And we may limit the number of BURGER 21® Restaurants owned by any franchise owner or its affiliates. You may only relocate your BURGER 21® Restaurant with our approval, both for the relocation and for the new site. We apply the same considerations for evaluating relocation of a BURGER 21® Restaurant and the leasing of the additional site as we do for BURGER 21® Restaurants and sites generally.

## ITEM 13
## TRADEMARKS

**Principal Trademarks**

We grant you the right to use certain trademarks, service marks and other commercial symbols in operating your BURGER 21® Restaurant. The principal trademark we use is "BURGER 21," but we also authorize you to use other trademarks (the "**Marks**").

**Trademark Registrations**

Our principal trademarks are registered on the Principal Register of the United States Patent and Trademark Office (the "**PTO**") as follows:

| Mark | Registration Date | Registration No. | Class/Use |
|---|---|---|---|
| BURGER 21 | 03/22/11 | 3935621 | Restaurant Services |
| B 21 | 06/05/12 | 4154530 | Restaurant Services |
| B 21 (and design) | 02/03/15 | 4682290 | Restaurant Services |
| WHAT BURGERS WOULD EAT IF BURGERS COULD EAT BURGERS | 02/26/13 | 4296547 | Restaurant Services |
| BURGER 21 CRAFTED BURGERS AND SHAKES (and design) (without color) | 06/11/13 | 4351559 | Restaurant Services |
| BURGER 21 CRAFTED BURGERS AND SHAKES (and design) (with color) | 09/01/15 | 4804173 | Restaurant Services |
| B 21 CRAVEABLE BURGER CREATIONS (and design) | 10/14/14 | 4622287 | Restaurant Services |
| B DELICIOUS | 10/14/14 | 4622334 | Restaurant Services |
| B AWESOME | 10/14/14 | 4622333 | Restaurant Services |
| B SAUCY | 10/14/14 | 4622332 | Restaurant Services |
| B SHAKEN | 10/14/14 | 4622331 | Restaurant Services |
| B LOYAL | 03/22/16 | 4923992 | Restaurant Services |
| BUR GER 21 BURGERS REINVENTED | 06/06/17 | 5219835 | Restaurant Services |
| BURGER 21 | 05/02/17 | 5197293 | Restaurant Services |
| BURGER 21 BURGERS REINVENTED | 05/02/17 | 5197294 | Restaurant Services |
| BURGER 21 | 07/11/17 | 5242798 | Restaurant Services |
| BURGERS REINVENTED | 08/01/17 | 5257386 | Restaurant Services |

All required affidavits have been filed. There are no other agreements currently in effect which significantly limit our rights to use or license the use of our Marks in a manner material to the franchise. There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringements, opposition or cancellation proceedings, or material litigation involving the principal trademarks.

**Use of the Marks**

You must follow our rules when you use the Marks. You cannot use any Mark as part of your corporate or legal business name or with modifying words, designs or symbols (except for those we license to you). You cannot use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing.

**Infringements**

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, PTO proceeding or any other administrative proceeding arising from such infringement, challenge or claim or otherwise relating to any Mark. You must sign any instruments and documents, provide such assistance and take any action that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or PTO or other proceeding or otherwise to protect and maintain our interests in the Marks.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you.

**Changes to the Mark**

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

**Indemnification**

We will indemnify you against and reimburse you for all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of the Marks resulting from claims by third parties that your use of any of the Marks infringes their trademark rights, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of our agreements with you. We will not indemnify you against the consequences of your use of the Marks except in accordance with the requirements of our agreements with you. You must provide written notice to us of any such claim within 10 days of your receipt of such notice and you must tender the defense of the claim to us. We will have the right to defend any such claim and if we do so, we will have no obligation to indemnify or reimburse you for any fees or disbursements of any attorney retained by you. If we elect to defend the claim, we will have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Other than as described above, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal trademarks in any state.

## ITEM 14
## PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise.

We claim copyrights in the Manual and the menus, and advertising materials and related items used in operating the franchise. These copyrights have not been registered with the United States Registrar of Copyrights.

The Manual, which is described in Item 11, and other materials we possess contain our confidential information. This information includes site selection criteria; recipes; methods, formats, specifications, standards, systems, procedures and sales and marketing techniques used, and knowledge of and experience, in developing and operating Restaurants; marketing and advertising programs for Restaurants; knowledge of specifications for and suppliers of certain fixtures, furnishings, equipment, products, materials and supplies; and knowledge of the operating results and financial performance of Restaurants other than your Restaurant.

All ideas, recipes, menu items, concepts, techniques or materials relating to Restaurants (including any specific to your Restaurant), whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your owners, must be promptly disclosed to us, will be considered our property and part of our franchise system and will be considered to be works made-for-hire for us. You and your owners must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials.

You may not use our confidential information in an unauthorized manner and must take reasonable steps to prevent its disclosure to others. We require your managers to sign our then current form of Noncompete Agreement in the form attached as Exhibit "F-1." We require all of your employees, including your managers, to sign our then current form of Confidentiality Agreement in the form attached as Exhibit "F-2."

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. Nor are there any agreements currently in effect which significantly limit our right to use or authorize franchisees to use the copyrighted materials. Furthermore, there are no infringing uses actually known to us which could materially affect a franchisee's use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so when this action is in the best interests of the BURGER 21® System.

## ITEM 15
## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement, continuously exert your best efforts to promote and enhance the Restaurant and not engage in any other business or activity that conflicts with your obligations to operate the Restaurant in compliance with the Franchise Agreement. You (or your owner) must devote full time and best efforts to the management and supervision of the Restaurant. Unless we agree otherwise, you (or your owner) must act as the manager of the Restaurant with responsibility for direct, on-premises supervision of the Restaurant. On request, we may allow you to hire a managerial-level employee or representative to provide on-site restaurant supervision, provided such person meets our standards, has completed our training program, and signs our standard forms of Noncompetition Agreement and Confidentiality, Non-Solicitation and Assignment of Inventions Agreement. Such employee need not have an ownership interest in you. You must keep us informed at all times of the identity of any supervisory employee(s) acting as managers of the Restaurant.

If you are also an Area Developer, each of your Restaurants must be operated under the direct on-premises supervision of a manager who meets our standards and who has completed our required training programs. Such manager need not have an ownership interest in you. You must replace any manager (by yourself or otherwise), submit his or her background and qualifications, and obtain verification from us that the proposed manager meets our qualifications, within 30 days of the former manager's departure.

If you fail to cure a default within the applicable cure period, we may enter into the Restaurant and exercise complete authority with respect to its management until such time as we determine that your default has been cured and you are complying with the requirements of your Franchise Agreement. If we assume management of the Restaurant for such purposes, you must pay us a management fee equal to 5% of Gross Sales, in addition to the Royalty, Advertising Contributions, and other amounts due under the Franchise Agreement. If we assume management of the Restaurant, we will have a duty to utilize reasonable efforts but will not be liable to you or your owners for any debts, losses or obligations the Restaurant incurs, or to any of your creditors for any supplies or services the Restaurant purchases, while we manage it.

If you are a corporation, limited liability company or limited partnership, your 10% or more owners and any owner with management responsibility must not only personally guarantee your obligations under the Franchise Agreement but also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. The form of "**Principal Owner's Guaranty**" is attached as Exhibit "H." We require you to complete a "**Principal Owner's Statement**" in the form attached as Exhibit "I." The Principal Owner's Statement describes all of your owners and their interests in you. We require that one of your owners maintain a controlling interest and have the authority to bind you regarding all operational decisions with respect to your Restaurant(s).

At our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements). Your organizational structure and governing documents must be acceptable to us and contain terms and provisions to prevent management deadlocks and resolve disputes among your shareholders or owners with minimal disruption to the franchised business. If you are a corporation, limited liability company or partnership, we require one of your owners to maintain a controlling interest in the business, with authority to make operational decisions.

## ITEM 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale all products, and perform all services, that we require from time to time for Restaurants. You may not offer for sale any products or perform any services that we have not authorized. (See Items 8 and 9.) Our System Standards may regulate required or authorized products, product categories and supplies. We have the right to change the types of required and/or authorized goods and services from time to time. There are no limits on the amount that you may be required to spend for Capital Modifications or the frequency of required Capital Modifications, except that we will not require you to invest additional capital ("**Capital Modifications**") in the Restaurant if the investment cannot, in our reasonable judgment, be amortized during the remaining term of the Franchise Agreement, unless we agree to extend its term so that the investment can be amortized or unless the investment is necessary to comply with applicable laws. Capital Modifications include, for example, upgrading restaurant equipment to accommodate changes to menu or procedures, adding or enclosing a patio, potential adjustments or replacements to signage, potential design element enhancements, POS or computer software. Capital Modifications are in addition to costs to repair, replace or refurbish your equipment and fixtures from time to time. You must make any changes in System Standards and adopt any Capital Modifications within the time period we request, whether they involve refurbishing or remodeling the Premises, or any other aspect of the Restaurant, buying new Operating Assets, adding new products and services, or otherwise modifying the nature of your operations.

All products you use or sell at the Restaurant must conform to our standards and specifications. (See Item 8). - These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Restaurant.

You must offer and sell only the menu items, products and services that we have expressly approved in writing. You must stop selling any menu items, products or services that we disapprove in writing. There is no limit on our right to add or remove items from our standard menu and you must promptly comply with any changes that we make to the menu. You must prepare all menu items using the procedures for preparation contained in our Manuals or other written instructions. You must not use or offer nonconforming items, unless we first give you our written consent. You must open and operate the Restaurant during the hours we specify in the manual or otherwise in writing. Regional menu items or options only available in certain markets may be offered only to select markets and are subject to our written approval.

We may make available to you and may require you to purchase for resale to your customers certain merchandise, like BURGER 21® memorabilia, in amounts necessary to meet your customer demand.

You may not advertise, promote, post or list information relating to the Restaurant on the Internet (through the creation of a Website or otherwise), without our prior written consent.

You may only offer catering, delivery or event services with our prior written approval. (See Item 12).

You may only play music at your Restaurant using our custom music channel (a subscription-based service) and may only use television/video programming that we have designated or approved in writing.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or on the customers to whom you may offer or sell.

## ITEM 17
## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

| Provision | Section in the Agreement | Summary |
|---|---|---|
| (a) Length of the franchise term | FA Section 2.2<br>ADA Section 2.1 | FA: Expires 10 years from the date the Restaurant opens for business or 11 years from the effective date of the Franchise Agreement, whichever occurs first. |

| Provision | Section in the Agreement | Summary |
|---|---|---|
| | | ADA: Expires on the last day of the Development Schedule or the opening of the last Restaurant specified in the Development Schedule, whichever occurs first. |
| (b) Renewal or extension of the term | FA Section 15 | If you are in good standing, you can acquire a successor agreement on our then current terms for an additional 5-year term. |
| (c) Requirements for franchisee to renew or extend | FA Section 15 | To remain a franchisee, you must meet all required conditions to renewal (Successor Franchise), including signing our then-current form of franchise agreement, which may be materially different than your original contract; maintain the Site or secure substitute Site, bring Restaurant into compliance with our then-current specifications and standards, sign ancillary agreements, general releases, satisfactory completion of training and refresher programs, and pay all fees in full. |
| (d) Termination by franchisee | Not Applicable | Not Applicable |
| (e) Termination by franchisor without cause | Not Applicable | Not Applicable |
| (f) Termination by franchisor with cause | FA Section 16<br>ADA Section 7 | We can terminate only if you commit one of several violations. Termination of any FA does not constitute a cause to terminate the ADA; and termination of the ADA does not constitute a cause to terminate any FA. |
| (g) "Cause" defined – curable defaults | FA Section 16 | 24 hours to cure violation of any health, safety or sanitation law, ordinance or regulation and 30 days to cure the following: (a) any monetary defaults; (b) failure to have you or a trained manager present at the Restaurant during all open hours; (c) failure to keep the Restaurant open during the required hours; (d) purchasing or leasing any product or service from an unapproved supplier; (e) failure to participate in a Co-op; (f) uncured failure to pay taxes and assessments (g) monetary failures to us and/or your landlord and/or vendors or suppliers; (h) failure to obtain and maintain required permits; (i) if you are a Business Entity, failure to maintain active status in your state of organization; (j) failure to timely make required reports; (k) failure to comply with any other provision of your franchise agreement or any System Standard; or (l) continued violation of any law, ordinance, rule or regulation of a governmental agency. Termination of any FA does not constitute a cause to terminate the ADA; and termination of the ADA does not constitute a cause to terminate any FA. |
| | ADA Section 7 | 24 hours to cure violation of any health, safety or sanitation law, ordinance or regulation by you or your controlled affiliate; 30 days to cure failure to pay taxes and to comply with any other provisions of your ADA. |

| Provision | Section in the Agreement | Summary |
|---|---|---|
| | | Termination of any FA does not constitute a cause to terminate the ADA; and termination of the ADA does not constitute a cause to terminate any FA. |
| (h) "Cause" defined – non-curable defaults | FA Section 16 | You (or any of your owners) (a) made any material misrepresentation or omission; (b) fail to begin operating the Restaurant within 12 months of the Agreement Date; (c) fail to complete any training to our satisfaction; (d) abandonment; (e) unauthorized transfer; (f) are convicted or plead no contest or guilty to a felony or other serious crime; (g) engage in any dishonest or unethical conduct; (h) understate Gross Sales by 5% or more;, (i) fail to assign the agreement in the event of your (or your owner's) death or disability; (j) lose possession of the Site; (k) make any unauthorized use or disclosure of any Confidential Information; (l) repeated failure to timely submit reports or other data, information or supporting records or pay amounts due to us or others or otherwise to comply with your franchise agreement or cure defaults; or (m) are bankrupt or insolvent. Termination of any FA does not constitute a cause to terminate the ADA; and termination of the ADA does not constitute a cause to terminate any FA. |
| | ADA Section 7 | You, or any of your owners: (a) made any material misrepresentations or omissions; (b) fail to begin operating the first Restaurant within 12 months from the date of the Development Agreement; (c) fail to complete any training to our satisfaction; (d) fail to timely meet your development obligations; (e) any franchise agreement between you, or an affiliate, is terminated; (f) you (or any of your owners) are convicted or plead no contest or guilty to a felony or other serious crime; (g) you (or any of your owners) engage in dishonest or unethical conduct which may adversely affect the reputation of your Restaurants or another BURGER 21® Restaurant or the goodwill associated with the marks; (h) unauthorized transfer;, or (i) uncured monetary or defaults. Termination of any FA does not constitute a cause to terminate the ADA; and termination of the ADA does not constitute a cause to terminate any FA. |
| (i) Franchisee's obligations on termination/ nonrenewal | FA Section 17 | Obligations include payment of outstanding amounts, including any gift card liability, complete de-identification and return of confidential information (also see r below). |
| (j) Assignment of contract by franchisor | FA Section 14.1<br>ADA Section 6.1 | No restriction on our right to assign. |

| Provision | Section in the Agreement | Summary |
|---|---|---|
| (k) "Transfer" by franchisee - defined | FA Section 14.2<br>ADA Section 6.2 | Voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the franchise agreement, you or the Restaurant. |
| (l) Franchisor approval of transfer by franchisee | FA Sections 14.2 and 14.4<br>ADA Section 6.2 | We have the right to approve all transfers, even to a Business Entity controlled by you. |
| (m) Conditions for franchisor's approval of transfer | FA Section 14.3 | New franchisee qualifies, you pay us all amounts due, new owners and/or managerial employees agree to be trained, transferee agrees to be bound by terms and conditions of franchise agreement and to sign our then-current form of franchise agreement, transferees agrees to upgrade the Restaurant, if necessary, transfer fee paid, we approve material terms, you subordinate amounts due to you, and you sign other documents we require – including general releases (also see r below). |
| (n) Franchisor's right of first refusal to acquire franchisee's business | FA Section 14.8 | We can match any offer for your business or an ownership interest in you provided that we may substitute cash for any form of payment at a discounted amount if an interest rate will be charged on any deferred payments, our credit will be deemed equal to that of any proposed purchaser, we will have no less than 30 days to prepare for closing and we receive all customary representations and warranties, as we specify. |
| (o) Franchisor's option to purchase franchisee's business | FA Section 17.6 | We have the option to buy the Restaurant, including leasehold rights to the Site, at fair market value after termination (but not expiration) of the agreement. If we cannot agree on a fair market value, an independent appraisal will be conducted. |
| (p) Death or disability of franchisee | FA Sections 14.5 and 14.6 | Franchise or an ownership interest in you must be assigned to an approved buyer within a period we designate, not less than 1 month but not more than 6 months, and must be run by a trained manager during the period prior to the assignment. Assignment is subject to our right of first refusal. |
| (q) Non-competition covenants during the term of the franchise | FA Section 9 | No direct or indirect interest in a competitive restaurant anywhere or within 2 miles of the Site or 10 miles of any other BURGER 21® Restaurant, no direct or indirect controlling ownership interest in, or performance of services for, a competitive restaurant anywhere, no recruiting or hiring of any person who is our employee or an employee of any BURGER 21® Restaurants. We may require your managers and employees to sign our then current form of Confidentiality and Non-Competition Agreement. |
| (r) Non-competition covenants after the | FA Section 17.5 | No direct or indirect interest in competing business for 2 years at, or within 10 miles of, the Site or within 10 |

| Provision | Section in the Agreement | Summary |
|---|---|---|
| franchise is terminated or expires | | miles of any other BURGER 21® Restaurants in operation or under construction (same restrictions apply after assignment). |
| (s) Modification of the agreement | FA Section 19.13<br>ADA Section 9.13 | No modifications except by written agreement, but Manual and System Standards are subject to change. |
| (t) Integration/merger clause | FA Section 19.13<br>ADA Section 9.13 | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any other promises may not be enforceable. No claim made in any franchise agreement is intended to disclaim the express representations made in this disclosure document. |
| (u) Dispute resolution by arbitration or mediation | FA Section 20 | Except for certain claims, all disputes must be mediated at a mutually agreeable location, or at our headquarters. If the dispute is not resolved within 60 days, the dispute must be arbitrated at the office of the American Arbitration Association closest to our headquarters in Tampa, Florida. |
| (v) Choice of forum | FA Section 19.8<br>ADA Section 9.8 | Litigation in Hillsborough County, Florida (subject to state law). |
| (w) Choice of law | FA Section 19.7<br>ADA Section 9.7 | The law of Florida (subject to state law). |

See any state-specific riders or addenda attached to this disclosure document.

## ITEM 18
## PUBLIC FIGURES

We do not use any public figure to promote our franchise.

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

We compiled the Gross Sales, Gross Profit, and certain expense figures (which are unaudited figures) from certain BURGER 21® Restaurants operated by our affiliates and our franchisees. As of the date of this disclosure document, there are 4 BURGER 21® Restaurants operated by our affiliates. These restaurants offer substantially the same services to the public as the type of BURGER 21® Restaurant we franchise. Likewise, such restaurants receive substantially the same services as those we offer to new franchisees.

The figures are based on the historical results from affiliate-owned BURGER 21® Restaurants and franchised BURGER 21® Restaurants and includes, for the 2016, 2015 and 2014 calendar years, only those Restaurants that were open and operating during the entire accounting period. These figures should not be considered as the actual or potential sales, expenses or income that will be recognized by anyone else, including you.

Some Restaurants have earned this amount. Your individual franchise results are likely to differ from the financial results and sales figures presented below. There is no assurance that you'll earn as much.

We obtained these figures from the information submitted by our affiliates and our franchisees. The sales figures we present are based on the accrual basis of accounting and conform to generally accepted accounting principles. Neither we nor an independent certified public accountant has independently audited or verified the information.

**STATEMENT OF AVERAGE GROSS SALES, WEEKLY GROSS SALES, COST OF GOODS SOLD, GROSS PROFIT, AND HOURLY LABOR COST**
**FOR THE 12-MONTH PERIOD ENDING DECEMBER 31, 2016 ("2016 YEAR")**

The following chart shows the average Gross Sales, Weekly Gross Sales, Cost of Goods Sold, Gross Profit, and Hourly Labor Cost for 4 BURGER 21® Restaurants owned by our affiliates and 11 franchised BURGER 21® Restaurants. There were 25 BURGER 21® Restaurants open in the 2016 Year, but these 17 Restaurants are the only Restaurants that were in operation for a full 12 months in the 2016 Year. "Gross Sales" means all revenue derived from sales of products and services to customers of the Restaurant and other income. All employee discounts and complimentary beverages or products are included in Gross Sales at the full retail value charged to customers of the Restaurant. Thus, actual revenues from customer purchases may vary. Gross Profit is Gross Sales less Cost of Goods Sold. Cost of Goods Sold includes the cost of food, beer, wine and only paper goods that relate to serving food.

| | Company-Owned (4 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales | $1,808,896 | $1,480,795 (1) | $1,396,700 | $1,320,883 | -- |
| Weekly Gross Sales | $34,786 | $28,477 (4) | $26,860 | $25,402 | -- |
| Cost of Goods Sold | $552,532 | $456,969 (7) | $430,874 | $413,599 | 30.86% |
| Gross Profit | $1,256,364 | $1,023,825 (10) | $965,827 | $906,386 | 69.14% |
| Hourly Labor Cost | $317,417 | $266,213 (13) | $253,006 | $241,423 | 17.98% |

| | Franchised (13 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales* | $2,177,550 | $1,243,798 (2) | $1,304,043 | $672,961 | — |
| Weekly Gross Sales | $41,876 | $23,919 (5) | $25,078 | $12,942 | — |
| Cost of Goods Sold** | $426,234 | $346,240 (8) | $386,758 | $209,928 | 27.84% |
| Gross Profit*** | $1,102,685 | $897,558 (11) | $917,284 | $450,941 | 72.16% |
| Hourly Labor Cost | $371,585 | $235,599 (14) | $239,252 | $136,960 | 18.94% |

| | Total (17 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales* | $2,177,550 | $1,306,997 (3) | $1,320,883 | $672,961 | — |
| Weekly Gross Sales | $41,876 | $25,135 (6) | $25,402 | $12,942 | — |
| Cost of Goods Sold** | $552,532 | $386,505 (9) | $414,497 | $209,928 | 29.57% |
| Gross Profit*** | $1,256,364 | $920,492 (12) | $906,386 | $450,941 | 70.43% |
| Hourly Labor Cost | $371,585 | $243,762 (15) | $245,340 | $136,960 | 18.65% |

NOTES:

(1) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(2) 7 of the 11 Restaurants (64%) achieved or surpassed the stated result.
(3) 9 of the 15 Restaurants (60%) achieved or surpassed the stated result.
(4) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(5) 7 of the 11 Restaurants (64%) achieved or surpassed the stated result.
(6) 9 of the 15 Restaurants (60%) achieved or surpassed the stated result.
(7) 3 of the 4 Restaurants (75%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).
(8) 3 of the 7 Restaurants (43%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).
(9) 3 of the 11 Restaurants (27%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).
(10) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(11) 4 of the 7 Restaurants (57%) achieved or surpassed the stated result.
(12) 8 of the 11 Restaurants (73%) achieved or surpassed the stated result.
(13) 3 of the 4 Restaurants (75%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage).
(14) 5 of the 11 Restaurants (45%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage)
(15) 7 of the 15 Restaurants (47%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage).

* 2 franchise locations did not report Gross Sales and were not included
** 6 franchise locations did not accurately report Cost of Goods Sold and were not included
*** 6 franchise locations did not accurately report Gross Profit and were not included

## STATEMENT OF AVERAGE GROSS SALES, WEEKLY GROSS SALES, COST OF GOODS SOLD, GROSS PROFIT AND HOURLY LABOR COST FOR THE 12-MONTH PERIOD ENDING DECEMBER 31, 2015 ("2015 YEAR")

The following chart shows the average Gross Sales, Weekly Gross Sales, Cost of Goods Sold, Gross Profit, and Hourly Labor Cost for 4 BURGER 21® Restaurants owned by our affiliates and 8 franchised BURGER 21® Restaurants. There were 21 BURGER 21® Restaurants open in the 2015 Year, but these 12 Restaurants are the only Restaurants that were in operation for a full 12 months in the 2015 Year. "Gross Sales" means all revenue derived from sales of products and services to customers of the Restaurant and other income. All employee discounts and complimentary beverages or products are included in Gross Sales at the full retail value charged to customers of the Restaurant. Thus, actual revenues from customer purchases may vary. Gross Profit is Gross Sales less Cost of Goods Sold. Cost of Goods Sold includes the cost of food, beer, wine and only paper goods that relate to serving food.

| | Company-Owned (4 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales | $1,784,288 | $1,469,525.71 (1) | $1,404,564.55 | $1,284,686 | — |
| Weekly Gross Sales | $34,313 | $28,260.11 (4) | $27,010.86 | $24,706 | — |
| Cost of Goods Sold | $564,199 | $472,718.36 (7) | $460,083.57 | $406,507 | 32.17% |
| Gross Profit | $1,220,089 | $996,807.35 (10) | $944.480.98 | $878,179 | 67.83% |
| Hourly Labor Cost | $313,860 | $261,875.09 (13) | $248,766.99 | $236,106 | 17.82% |

| | Franchised (8 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales | $2,178,797 | $1,394,323.56 (2) | $1,239,578.19 | $679,401 | — |
| Weekly Gross Sales | $41,900 | $26,813.91 (5) | $23,838.04 | $13,065 | — |
| Cost of Goods Sold | $734,511 | $438,838.19 (8) | $392,036.78 | $222,422 | 31.47% |
| Gross Profit | $1,444,246 | $955,485.36 (11) | $847,541.42 | $456,979 | 68.53% |
| Hourly Labor Cost | $420,508 | $263,132.88 (14) | $221,182.15 | $134,150 | 18.87% |

| | Total (12 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales | $2,178,797 | $1,419,390.94 (3) | $1,342,195.99 | $679,401 | — |
| Weekly Gross Sales | $41,900 | $27,295.98 (6) | $25,811.46 | $13,065 | — |

| | Total (12 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Cost of Goods Sold | $734,511 | $450,131.58 (9) | $428,952.92 | $222,422 | 31.71% |
| Gross Profit | $1,444,246 | $969,259.36 (12) | $846,051.94 | $456,979 | 68.29% |
| Hourly Labor Cost | $420,508 | $262,713.62 (15) | $238,533.84 | $134,150 | 18.51% |

NOTES:

(1) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(2) 3 of the 8 Restaurants (38%) achieved or surpassed the stated result.
(3) 4 of the 12 Restaurants (33%) achieved or surpassed the stated result.
(4) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(5) 3 of the 8 Restaurants (38%) achieved or surpassed the stated result.
(6) 4 of the 12 Restaurants (33%) achieved or surpassed the stated result.
(7) 3 of the 4 Restaurants (75%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).
(8) 5 of the 8 Restaurants (63%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).
(9) 6 of the 12 Restaurants (50%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).
(10) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(11) 3 of the 8 Restaurants (38%) achieved or surpassed the stated result.
(12) 4 of the 12 Restaurants (33%) achieved or surpassed the stated result.
(13) 3 of the 4 Restaurants (75%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage).
(14) 5 of the 8 Restaurants (63%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage)
(15) 8 of the 12 Restaurants (67%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage).

## STATEMENT OF AVERAGE GROSS SALES, WEEKLY GROSS SALES, COST OF GOODS SOLD, GROSS PROFIT AND HOURLY LABOR COST FOR THE 12 MONTH PERIOD ENDING DECEMBER 31, 2014 ("2014 YEAR")

The following chart shows the average Gross Sales, Weekly Gross Sales, Cost of Goods Sold, Gross Profit, and Hourly Labor Cost for 4 BURGER 21® Restaurants owned by our affiliates and 6 franchised BURGER 21® Restaurants. There were 15 BURGER 21® Restaurants open in the 2014 Year, but these 10 Restaurants are the only Restaurants that were in operation for a full 12 months in the 2014 Year. "Gross Sales" means all revenue derived from sales of products and services to customers of the Restaurant and other income. All employee discounts and complimentary beverages or products are included in Gross Sales at the full retail value charged to customers of the Restaurant. Thus, actual revenues from customer purchases may vary. Gross Profit is Gross Sales less Cost of Goods Sold. Cost of Goods Sold includes the cost of food, beer, wine and only paper goods that relate to serving food.

| | Company-Owned (4 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales | $1,862,954 | $1,556,240.50[(1)] | $1,512,497.00 | $1,337,014 | — |
| Weekly Gross Sales | $35,826 | $29,927.70[(4)] | $29,086.48 | $25,712 | — |
| Cost of Goods Sold | $571,323 | $480,960.75[(7)] | $475,217.00 | $402,086 | 30.91% |
| Gross Profit | $1,291,631 | $1,075,279.75[(10)] | $1,037,280.00 | $934,928 | 69.09% |
| Hourly Labor Cost | $326,792 | $273,128.00[(13)] | $266,767.00 | $232,186 | 17.55% |

| | Franchised (6 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales | $2,171,832 | $1,402,319.17[(2)] | $1,203,622 | $862,611 | — |
| Weekly Gross Sales | $41,766 | $29,967.68[(5)] | $23,146.59 | $16,589 | — |
| Cost of Goods Sold | $694,648 | $437,143.00[(8)] | $382,394.00 | $272,805 | 31.17 % |
| Gross Profit | $1,477,184 | $965,176.17[(11)] | $825,111.50 | $589,806 | 68.83 % |
| Hourly Labor Cost | $390,045 | $242,713.50[(14)] | $213,240.50 | $172,221 | 17.31% |

| | Total (10 Restaurants) | | | | |
|---|---|---|---|---|---|
| | High | Average | Median | Low | % of Gross Sales |
| Gross Sales | $2,171,832 | $1,463,887.70[(3)] | $1,414,740.00 | $862,611 | — |
| Weekly Gross Sales | $41,766 | $29,951.69[(6)] | $27,206.54 | $16,589 | — |
| Cost of Goods Sold | $694,648 | $454,670.10[(9)] | $437,481.50 | $272,805 | 31.06% |
| Gross Profit | $1,477,184 | $1,009,217.60[(12)] | $977,258.50 | $589,806 | 68.94% |
| Hourly Labor Cost | $390,045 | $254,879.30[(15)] | $245,904.50 | $172,221 | 17.41% |

NOTES:

(1) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(2) 2 of the 6 Restaurants (33%) achieved or surpassed the stated result.
(3) 5 of the 10 Restaurants (50%) achieved or surpassed the stated result.
(4) 1 of the 4 Restaurants (25%) achieved or surpassed the stated result.
(5) 2 of the 6 Restaurants (33%) achieved or surpassed the stated result.
(6) 5 of the 10 Restaurants (50%) achieved or surpassed the stated result.
(7) 2 of the 4 Restaurants (50%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).

(8) 3 of the 6 Restaurants (50%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).

(9) 5 of the 10 Restaurants (50%) achieved or surpassed the stated result (i.e., cost of goods sold was lower than the stated amount or percentage).

(10) 2 of the 4 Restaurants (50%) achieved or surpassed the stated result.

(11) 3 of the 6 Restaurants (50%) achieved or surpassed the stated result.

(12) 5 of the 10 Restaurants (50%) achieved or surpassed the stated result.

(13) 3 of the 4 Restaurants (75%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage).

(14) 3 of the 6 Restaurants (50%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage)

(15) 5 of the 10 Restaurants (50%) achieved or surpassed the stated result (i.e., hourly labor cost was lower than the stated amount or percentage).

Like any restaurant, there are lots of other expenses to operate a BURGER 21® Restaurant, including labor and personnel; rent and occupancy; insurance; administrative; utilities; supplies; repairs and maintenance; computer software fees; royalties, advertising and marketing; professional fees; etc.

This information may not be representative of income of a BURGER 21® Restaurant in any other years or locations. The statements are the product of the accounting software program and system our affiliates utilize for the operation of the BURGER 21® Restaurants that they operate, and reports submitted to us for the BURGER 21® Restaurant operated by a franchisee.

Your actual monthly revenues and expenses may differ from the data presented in the chart due to a variety of factors, such as regional market variations, the demographics of an area, lifestyles of customers in the market area, location of your BURGER 21® Restaurant, and other market characteristics as well as your business abilities and efforts. You should consult with other sources and your financial advisors in order to obtain additional information necessary to develop estimates of a BURGER 21® Restaurant's costs, expenses, gross profit and profits.

Written substantiation of the data used in preparing this financial performance representation will be made available to you upon reasonable request.

We do not provide you with projections or forecasts of sales, profits or earnings. Actual results may vary by region, market potential, your managerial skill, competition and other factors beyond our control. Actual results will also vary by location and the viability of the site. You should utilize the services of an accountant or other financial professional to help you if you want to prepare budgets or projections.

Except as otherwise provided in this Item 19, the presentation of information regarding gross revenue or profits capability in connection with this franchise offering is strictly prohibited.

We recommend that you make your own independent investigation to determine whether or not your Restaurant may be profitable, and consult with an attorney and other advisors before executing the Franchise Agreement.

Other than the preceding financial performance information, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations whether orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance or projections of your future income, you should report it to the franchisor's management by contacting Jim

Sullivan, Vice President, Burger 21 International, Inc., 8810 Twin Lakes Boulevard, Tampa, Florida 33614, (813) 327-7870, the Federal Trade Commission and the appropriate state regulatory agency.

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**
**Systemwide Outlet Summary**
**For Fiscal Years Ended**
**March 31, 2015, March 29, 2016 and March 28, 2017**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2015 | 8 | 10 | +2 |
| | 2016 | 10 | 18 | +8 |
| | 2017 | 18 | 18 | 0 |
| Company-Owned | 2015 | 4 | 4 | 0 |
| | 2016 | 4 | 4 | 0 |
| | 2017 | 4 | 4 | 0 |
| **Total Outlets** | **2015** | **12** | **14** | **+2** |
| | **2016** | **14** | **22** | **+8** |
| | **2017** | **22** | **22** | **0** |

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For Fiscal Years Ended**
**March 31, 2015, March 29, 2016 and March 28, 2017**

| State | Year | Number of Transfers |
|---|---|---|
| Florida | 2015 | 0 |
| | 2016 | 2 |
| | 2017 | 0 |
| Georgia | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 0 |
| New Jersey | 2015 | 0 |
| | 2016 | 1 |
| | 2017 | 0 |
| North Carolina | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 0 |
| Virginia | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 0 |
| Total | 2015 | 0 |
| | 2016 | 3 |
| | 2017 | 0 |

**Table No. 3**
**Status of Franchised Outlets**
**For Fiscal Years Ended**
**March 31, 2015, March 29, 2016 and March 28, 2017**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Arizona | 2015 | 0 | 2 | 0 | 0 | 0 | 1 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arkansas | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Florida | 2015 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2017 | 4 | 3 | 0 | 0 | 0 | 2 | 5 |
| Georgia | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 3 | 0 | 0 | 0 | 0 | 4 |
| | 2017 | 4 | 1 | 0 | 0 | 0 | 1 | 4 |
| Illinois | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New Jersey | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New Mexico | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New York | 2015 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| North Carolina | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Pennsylvania | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| Texas | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| Virginia | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| **Totals** | **2015** | **8** | **3** | **0** | **0** | **0** | **1** | **10** |
| | **2016** | **10** | **9** | **0** | **0** | **0** | **1** | **18** |
| | **2017** | **18** | **5** | **0** | **0** | **0** | **5** | **18** |

## Table No. 4
## Status of Company-Owned Outlets
## For Fiscal Years Ended
## March 31, 2015, March 29, 2016 and March 28, 2017

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| Florida | 2015 | 4 | 0 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 0 | 0 | 0 | 0 | 4 |
| | 2017 | 4 | 0 | 0 | 0 | 0 | 4 |
| **Totals** | **2015** | **4** | **0** | **0** | **0** | **0** | **4** |
| | **2016** | **4** | **0** | **0** | **0** | **0** | **4** |
| | **2017** | **4** | **0** | **0** | **0** | **0** | **4** |

## Table No. 5
## Projected Openings As Of Fiscal Year End March 28, 2017

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets In the Next Fiscal Year (ending March 27, 2018) | Projected New Company-Owned Outlets In the Next Fiscal Year (ending March 27, 2018) |
|---|---|---|---|
| Arizona | 0 | 0 | 0 |
| Arkansas | 0 | 1 | 0 |
| Florida | 0 | 3 | 1 |
| Georgia | 2 | 3 | 0 |
| Illinois | 0 | 0 | 0 |
| Michigan | 1 | 0 | 0 |
| New Jersey | 0 | 0 | 0 |
| New Mexico | 0 | 1 | 0 |
| New York | 0 | 0 | 0 |
| North Carolina | 1 | 1 | 0 |
| Pennsylvania | 0 | 0 | 0 |
| Texas | 0 | 2 | 0 |
| Virginia | 1 | 0 | 0 |
| **Totals** | **5** | **11** | **1** |

The name, business address, and business telephone number of each current franchisee as of March 28, 2017, are listed on Exhibit "O."

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of 5 franchisees who had a BURGER 21® Restaurant franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, or who left the system during the most recently completed fiscal year, or had not communicated with us within 10 weeks of the date of this disclosure document are listed in Exhibit "P."

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

We are not offering any existing franchised outlets to prospective franchisees, including those that either have been reacquired by us or are still being operated by current franchisees pending a transfer.

If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this disclosure document.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are no trademark-specific franchisee organizations associated with the BURGER 21® franchise system.

## ITEM 21
## FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit "A" are audited financial statements for Burger 21 International, Inc. for the fiscal years ending March 28, 2017, March 29, 2016 and March 31, 2015, and an unaudited balance sheet and income statement as of August 22, 2017. Our fiscal year is based on a 4-4-5 calendar period.

## ITEM 22
## CONTRACTS

The following agreements are attached as exhibits to this disclosure document:

Franchise Agreement – Exhibit "B"
Area Development Agreement – Exhibit "C"
Conditional Assignment of Telephone Numbers and Listings – Exhibit "D"
Collateral Assignment and Assumption of Lease and Lease Rider – Exhibit "E"
Noncompete Agreement - Exhibit "F-1"
Confidentiality Agreement - Exhibit "F-2"
Principal Owner's Guaranty – Exhibit "H"
Principal Owner's Statement – Exhibit "I"
Form of General Release – Exhibit "L"
Franchise Compliance Certificate – Exhibit "M"

## ITEM 23
## RECEIPTS

You will find 2 copies of a detachable Receipt in Exhibit "Q" at the end of the disclosure document. One Receipt must be signed, dated and delivered to us. The other Receipt should be retained for your records.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT**

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**FINANCIAL STATEMENTS**

**OF**

**BURGER 21 INTERNATIONAL, INC.**

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**EXHIBIT B TO THE DISCLOSURE DOCUMENT**

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**FORM OF**

**FRANCHISE AGREEMENT**

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# BURGER 21®

## FRANCHISE AGREEMENT

AGREEMENT EFFECTIVE DATE

FRANCHISE OWNER

RESTAURANT OPENING DATE

EXPIRATION DATE

ADDRESS OF RESTAURANT:

RESTAURANT NUMBER

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**EXHIBITS**

# BURGER 21®
## FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (the "**Agreement**") is effective as of ______________, 201__ (the "**Agreement Effective Date**"). The parties to this Agreement are **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation, with its principal business address at 8810 Twin Lakes Road, Tampa, Florida 33614 (referred to in this Agreement as "**we**," "**us**" or "**our**"), and ____________ ________________________, whose principal business address is ________________________ ____________ (referred to in this Agreement as "**you**," "**your**" or "**Franchise Owner**").

1. **INTRODUCTION**. Various terms are defined in context throughout this agreement.

1.1. **The BURGER 21® System**. We and our affiliates have expended considerable time and effort in developing a fast casual, better burger restaurant concept, that serves lunch and dinner and features 21 chef inspired burgers, plus hot dogs, salads, French fries, signature shakes, desserts, a sauce bar and beer and wine and such other items as we designate from time to time (a "**BURGER 21® Restaurant**" or "**Restaurant**"). BURGER 21® Restaurants operate under the service mark and trade name "**BURGER 21®**" and other associated logos, designs, artwork and trade dress, trademarks, service marks, commercial symbols, and e-names, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, service marks, e-names and commercial symbols in conjunction with the operation of BURGER 21® Restaurants (collectively, the "**Marks**") and under distinctive business formats, methods, procedures, designs, layouts, signs, artwork, music, equipment, menus, recipes, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the "**System**"). We grant to persons who meet our qualifications and are willing to undertake the investment and effort, a franchise to own and operate a BURGER 21® Restaurant offering the products and services we authorize and approve and utilizing the Marks and the System. You have applied for a franchise to own and operate a BURGER 21® Restaurant.

1.2. **Acknowledgments**. You acknowledge and agree that:

(a) you have read this Agreement and our Franchise Disclosure Document;

(b) you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at each BURGER 21® Restaurant and to protect and preserve the goodwill of the Marks;

(c) you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, and particularly due to the short operating history, the nature of the business conducted by a BURGER 21® Restaurant may evolve and change over time;

(d) an investment in a BURGER 21® Restaurant involves business risks;

(e) your business abilities and efforts are vital to the success of the venture;

(f) any information you acquire from other BURGER 21® Restaurant franchisees relating to their sales, profits or cash flows does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information;

(g) in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us;

(h) we have advised you to have this Agreement reviewed and explained to you by an attorney.

**1.3. Representations**. You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. We have approved your request to purchase a franchise in reliance on all of your representations.

**1.4. No Warranties**. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the network of BURGER 21® Restaurant. You acknowledge and understand the following:

(a) any statement regarding the potential or probable revenues, sales or profits of the business venture are made solely in the Franchise Disclosure Document (if any) delivered to you prior to signing this Agreement;

(b) any statement regarding the potential or probable revenues, sales or profits of the business venture or statistical information regarding any existing BURGER 21® Restaurant owned by us or our affiliates or that is not contained in our Franchise Disclosure Document is unauthorized, unwarranted and unreliable and should be reported to us immediately; and

(c) you have not received or relied on any representations about us or our franchising program or policies made by us, or our officers, directors, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. If there are any exceptions to any of the foregoing, you must: (i) immediately notify our chief executive officer; and (ii) note such exceptions by attaching a statement of exceptions to this Agreement prior to signing it.

**1.5. Delegation of Performance**. We may delegate the performance of any portion or all of our obligations under this Agreement to third-parties, whether they are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-parties will be obligated to perform the delegated functions for you in compliance with this Agreement.

**1.6. Business Organization**. If you are at any time a business organization (**"Business Entity"**) (like a corporation, limited liability company or partnership) you agree and represent that:

(a) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(b) your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(c) the Principal Owners Statement will completely and accurately describe all of your owners and their interests in you. A copy of our current form of Principal Owners Statement is attached to the Franchise Disclosure Document;

(d) you and your owners agree to revise the Principal Owners Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes may be made without our approval);

(e) each of your owners during the term of this Agreement will sign and deliver to us our standard form of Principal Owners Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Principal Owners Guaranty is attached to the Franchise Disclosure Document;

(f) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements). Your organizational structure and governing documents must be acceptable to us and contain terms and provisions to prevent management deadlocks and resolve disputes among your shareholders or owners with minimal disruption to your business operations; and

(g) During the Term, one of your owners will maintain a controlling ownership interest in the Business Entity, with authority to make operational decisions that are binding on you.

## 2. GRANT AND TERM

**2.1. Grant of Franchise**. You have applied for a franchise to own and operate a BURGER 21® Restaurant only at a location we have approved (the "**Site**"). Subject to the terms of and upon the conditions contained in this Agreement, we grant you a franchise (the "**Franchise**") to: (a) operate a BURGER 21® Restaurant at the Site, and at no other location; (b) use the Marks in connection with operating the Restaurant; and (c) use the System in its operation. You may not operate the Restaurant from any location other than the Site without our prior written consent. You must not engage in delivery services or catering without our written consent.

**2.2. Term**. The term of the Franchise and this Agreement begins on the Agreement Effective Date and expires on the earlier of: (a) the 10th anniversary of the date the Restaurant opens for business or (b) the 11th anniversary of the Agreement Effective Date (the "**Term**"). This Agreement may be terminated before it expires in accordance with its terms. You agree that you will at all times faithfully, honestly and diligently perform your obligations, continuously exert your best efforts to promote and enhance the Restaurant for the full Term. As a franchise owner of a BURGER 21® Restaurant, you will comply with this Agreement and all System Standards in order to maintain the high and consistent quality that is critical to attracting and keeping customers for BURGER 21® Restaurants. During the Term, you will not engage in any other business or activity that conflicts with your obligations to operate the Restaurant in compliance with this Agreement.

**2.3. Trade Area**. The trade area (the "**Trade Area**") of a BURGER 21® Restaurant located in a densely populated urban area generally consists of the Site and the geographic area delineated by metes and bounds not to exceed 1/8 of a mile in diameter. This includes, but is not limited to, all major metropolitan areas. The Trade Area of a BURGER 21® Restaurant located in a suburban retail area generally consists of the Site and the geographic area delineated by metes and bounds, not to exceed a total of 2 miles in diameter to the North and South of the Site and to the East and West of the Site, although we may vary its size under special circumstances. We will establish the Trade Area once we have approved the Site by completing

Exhibit "A." We will not approve a Site within the Trade Area of any other BURGER 21® Restaurant, whether it is franchised or owned by us. During the Term, as long as you are in compliance with this Agreement, we will not grant a franchise for, nor ourselves operate, a BURGER 21® Restaurant within your Trade Area. Notwithstanding any language to the contrary, the Trade Area does not include Institutional Facilities (as defined in Section 2.5 below).

2.4. **Delivery Services and/or Catering Services**. You will not engage in, or provide, Delivery Services and/or Catering Services for customers without our prior written consent. Furthermore, after you have operated the Restaurant for a minimum of 90 days, we may require that you provide Delivery Services and/or Catering Services. **"Catering Services"** are defined as the delivery of more than 10 meals to one customer at one location. **"Delivery Services"** are the delivery of less than 10 meals to one customer at one location. If we do authorize you to provide Delivery Services and/or Catering Services you must follow our System Standards for doing so. We will also assign the area in which you may provide the Delivery Services and/or Catering Services which may be different than your Trade Area. We will specify the Delivery Service and/or Catering Service Area in writing when and if it is determined. If you are unable to provide Delivery Services and/or Catering Services or if we do not authorize you to provide them, you agree and acknowledge that we or another franchisee (or our or their affiliates) may provide such services in your Delivery Service and/or Catering Service Area. We may require that you obtain and maintain a motor vehicle that meets our specification and standards in order to provide delivery service or catering service.

2.5. **Rights We Reserve**. Except as expressly granted in Sections 2.1 and 2.3 alone, we (and our affiliates) retain all rights with respect to Burger 21 Restaurants, Marks, the sale of similar or dissimilar products and services, and any other activities we (or our affiliates) deem appropriate wherever and whenever we determine including without limitation, the right to:

(a) solicit prospective franchisees and grant other persons franchises, or other rights to operate BURGER 21® Restaurants through national or regional advertising, trade shows or conventions, or using or through the Internet, Intranet or other forms of e-commerce or through similar means, wherever located, including your Restaurant;

(b) host prospective and current franchisees at your Restaurant and have tours conducted in your Restaurant (you will be paid for any food and beverage ordered);

(c) own and operate BURGER 21® Restaurants ourselves or through affiliates anywhere, except that we will not operate a BURGER 21® Restaurant in your Trade Area (other than locations at Institutional Facilities, as defined below);

(d) sell, solicit, recruit and provide services for BURGER 21® Restaurants or any business or franchised business not defined as a BURGER 21® Restaurant in this Agreement;

(e) sell, and provide the products and/or services authorized for sale by, BURGER 21® Restaurants under the Marks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels (like telephone, mail order, kiosk, co-branded sites and sites located within other retail businesses, Intranet, Internet, web sites, wireless, email or other forms of e-commerce), including the sale and distribution of food products in grocery and other retail stores, for distribution within and outside of your Trade Area and pursuant to such terms and conditions as we consider appropriate;

(f) establish, and license others to establish, restaurants identified in whole or in part by the name and mark BURGER 21® and/or utilizing the System anywhere including the Trade Area that are located in facilities like airports, train stations, bus stations, service plazas, stadiums, arenas, convention centers, military and governmental facilities, educational institutions and campuses, hospitals, recreational theme parks, business or industrial food service venues, venues in which food service is or may be provided by a master of concessioner or contract food service provider, warehouse clubs, Indian reservations, casinos, gas stations, convenience stores, hotels, parks and other seasonal facilities, snack bar trucks, or any similar institutional or captive market location not reasonably available to you ("**Institutional Facilities**");

(g) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at BURGER 21® Restaurants, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in your Trade Area);

(h) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at BURGER 21® Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Trade Area;

(i) conduct all internet related, e-commerce, social media and related communications relating to the operation of BURGER 21® Restaurants or the selling of services offered at any of the BURGER 21® Restaurants. In this connection, we will have the sole right to establish one or more websites that contain any of the Marks or that advertise, market or promote any of the services that we authorize for BURGER 21® Restaurants. You agree to follow our rules and policies with respect to the use of the internet and social media, both for advertising and marketing, and for the conducting of electronic commerce. We may engage in internet and e-commerce, marketing, promotion and operation even if those activities affect customer relationships within your Trade Area;

(j) offer, promote and perform delivery and catering services, whether or not using the Marks, anywhere;

(k) solicit prospective franchisees for, and own and operate, businesses and restaurants of any other kind or nature, anywhere; and

(l) vary System Standards or other aspects of the System for any franchise owner. You have no right to require us to grant you a similar variation or accommodation.

**2.6.** **Business Judgment**. Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem appropriate according to our business judgment, and subject to reasonable deviations, to vary System Standards or other aspects of the System for any franchise owner. You have no right to require us to grant you a similar variation or accommodation.

## 3. SITE SELECTION AND DEVELOPMENT.

**3.1.** **Site Selection**. If you have not done so prior to signing this Agreement, you (with or without our assistance) must, within 90 days of the Agreement Effective Date, locate a site that we (in our reasonable discretion) have approved solely in the Target Area you and we have identified on Exhibit "A" on the Agreement Effective Date. You acknowledge and agree that the Target Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection. The Site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other BURGER 21® Restaurants, the nature of other businesses in proximity to the Site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed site. We will accept or reject a Site you propose for a Restaurant within 30 days after we receive from you a complete site report and any other materials we request. You acknowledge and agree that:

(a) our recommendation or acceptance of the Site, and any information regarding the Site communicated to you, does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the Site for a BURGER 21® Restaurant or for any other purpose;

(b) our recommendation or acceptance of the Site indicates only that we believe that the Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Site;

(c) application of criteria that have appeared effective with respect to other sites and premises may not accurately reflect the potential for all sites and premises, and, after our acceptance of a site, demographic and/or other factors included in or excluded from our criteria could change to alter the potential of a site and premises; and

(d) the uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a site and premises we have recommended or approved to meet expectations as to potential revenue or operational criteria.

**3.2. <u>Lease of Site</u>**

**Lease of Site**: You must deliver copies of the proposed lease agreement and related documents to us prior to signing them. You must not sign any lease agreement (or any renewal or modification thereof) or related documents unless we have previously accepted them. The insurance policy required by our System Standards must be in force and effect when the lease is signed. Our review and acceptance is designed to ensure that the lease contains terms that we accept or require for our benefit and the franchise system; it is not a substitute for careful review and analysis by you and your advisors. Additionally, before entering into such a lease, you and the lessor must sign our then-current form of Collateral Assignment and Assumption of Lease Agreement and Lease Rider (the "**Collateral Assignment and Lease Rider**"). You must give the lessor our forms of the Collateral Assignment and Lease Rider when you begin discussions with the prospective lessor. If you want to lease the Site from any of your affiliates (or affiliates of your principal owners), we may also require them to sign such agreements to ensure compliance with the provisions of this Agreement.

(a) **Lease Acceptance**: You must:

(i) obtain our acceptance of the lease of the Site before you sign it, or any renewal of it;

(ii) deliver a copy of the signed lease to us within 180 days of the Agreement Effective Date and within 15 days after its execution along with the Collateral Assignment and Lease Rider; and

(iii) not sign any lease or renewal of a lease unless you have also obtained the Collateral Assignment and Lease Rider signed by the lessor.

(b) **Mandatory Lease Terms**: We may require that the lease or any renewal contain certain provisions either with the lease itself or in the Lease Rider, including the following:

(i) a provision which expressly permits the lessor of the Site to provide us with all revenue and other information it may have related to the operation of your BURGER 21® Restaurant as we may request;

(ii) a provision which requires the lessor to contemporaneously provide us with copies of any written notice of default under the lease sent to you and which grants to us, at our option, the right (but not the obligation) to cure any default under the lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default;

(iii) a provision which evidences your right to display the Marks in accordance with the specifications required by the Manuals, subject only to the provisions of applicable law;

(iv) a provision which requires that any lender or other person will not disturb your possession of the Site so long as the lease term continues and you are not in default (along with such documents as are necessary to ensure that such lenders and other persons are bound);

(v) a provision which expressly states that your default under the lease, if not cured within any applicable cure period under the lease, also constitutes grounds for termination of this Agreement;

(vi) a lease term which is at least equal to the initial term of this Agreement, either through an initial term of that length or rights, at your option, to renew the lease for the full term of this Agreement;

(vii) limitation on the Landlord from leasing space to house a Competitive Restaurant;

(viii) a provision in which the Landlord agrees that the use of premises will be limited to the operation of a franchised BURGER 21® Restaurant, and agrees to our then-current standards for Lease Agreements for BURGER 21® Restaurants including allowing the signage standards, designated spots for pick-ups and delivery vehicles, minimum number of parking spaces devoted to the Restaurant; outside seating; and

(ix) a provision that allows us to obtain entry onto the premises of the site to ensure that all de-identification standards in this Agreement are fulfilled in case you do not or are unable to do so, at our expense, including removal of signage and fixtures.

(c) **No Warranty**: You acknowledge that our acceptance of the lease for the Site does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a BURGER 21® Restaurant operated at the Site. Such acceptance indicates only that we believe that the Site and the terms of the lease fall within the acceptable criteria we have established as of the time of our acceptance. You further acknowledge that we have advised you to have an attorney review and evaluate the lease.

**3.3. <u>Ownership and Financing</u>**. Instead of leasing a Site, you may propose to purchase and own any or all of a Site directly, or through affiliates. The insurance required by our System Standards must be in force and effect when you begin construction of your Restaurant. You must meet certain conditions: if you or your affiliates own a Site, if at any time prior to acquisition, or subsequently, you or your affiliates propose to obtain any financing with respect to the Site or for your BURGER 21® Restaurant or for any Operating Assets in which any of such items are pledged as collateral securing your performance, the form of any purchase contract with the seller of a Site and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be accepted by us before you sign them. Our consent to them may be conditioned upon the inclusion of various terms and conditions, including the following:

(a) a provision which requires any lender or mortgagee concurrently to provide us with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to you or your affiliates or the purchaser;

(b) a provision granting us, at our option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of a period in which you may cure such default or deficiency; and

(c) a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable time period, constitutes grounds for termination of this Agreement and any default under this Agreement, if not cured.

**3.4. Relocation.** You may not relocate the Restaurant without our prior written consent. If we consent to the Restaurant's relocation, we have the right to charge you the following fees: (a) a Relocation Training Fee of $2,500 per trainer, not to exceed $15,000; and (b) a Construction & Design Relocation Fee, not to exceed $10,000 (per location). We will determine the number of trainers and the time period over which their assistance will be provided in connection with the relocation of your Restaurant. The Construction & Design Relocation Fee includes one set of design plans and specifications for one Site, from which your architect must prepare all required construction plans and specifications to suit the shape and dimension of the new location. If, for any reason, you decide to pursue an alternate location, you must pay another Construction & Design Relocation Fee for new design drawings for such alternate location. We may also require you (or your owners) and/or your management personnel to complete refresher programs as a condition of our consent to the relocation of the Restaurant. We reserve the right to charge our then-current fee for such refresher training programs.

**3.5. Pre-Opening Termination.** If you and we are we unable to agree on a location for the Site, or if you have not obtained a fully signed lease agreement for the Site, within 6 months of the Agreement Effective Date, then we may terminate this Agreement.

## 4. RESTAURANT DEVELOPMENT, DECOR AND OPERATING ASSETS.

**4.1. Restaurant Development.** You are responsible for developing the Restaurant. We, or our designees, may, at any time and from time to time (but in no way limiting or affecting your responsibility for developing the Restaurant) provide certain support and assistance in the development and start-up of your Restaurant. This assistance may include critical path management oversight and assistance, vendor support and other periodic support in connection with the opening of the Restaurant and the start-up of operations.

(a) We will furnish you with mandatory specifications and layouts for a BURGER 21® Restaurant, including requirements for dimensions, color scheme, image, interior layout, decor, and Operating Assets which include fixtures, equipment, signs, furnishings and color scheme. These plans might not reflect the requirements of any federal, state or local law, code or regulation, including those arising under the Americans With Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the premises for the Restaurant (the "**Premises**") and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements and Lease requirements and restrictions. We may require you to obtain bids from our list of designated consultants, contractors and vendors related to the development of the Premises. You are obligated at your expense to have your architect prepare all required construction plans and specifications, based on our design drawings and specifications, to suit the shape and dimensions of the Site and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. If your architect is not on our list of designated vendors, then, you must have obtained our written approval of the architect based on our sole discretion, before you obtain a bid from, or engage, such architect. You must at your expense use construction contractors designated or approved by us. You will not engage any such firm that we have not approved. WE DO NOT MAKE ANY REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, IN REGARD TO ANY CONTRACTORS, SUBCONTRACTORS OR OTHER SUPPLIERS OR SERVICE SUPPLIERS THAT WE APPROVE OR DESIGNATE IN CONNECTION WITH THE CONSTRUCTION, DEVELOPMENT OR OPERATION OF THE RESTAURANT. If we or our affiliates serve as the contractor to build-out the Restaurant or otherwise supervise the Restaurant's development, we or our affiliates will have the right to receive a fee in connection with such services. You must send us construction plans and specifications for review before you begin constructing the Restaurant and at the points of 50% and 95% completion, and all revised or "as-built" plans and specifications during construction. Because our review is limited to ensuring your compliance with our design requirements, we will not assess compliance with federal, state or local laws and regulations, including the ADA, OSHA and state and local environmental requirements and building codes, as compliance with these laws is your responsibility. We may inspect the Premises while you are developing the Restaurant.

(b) You agree, at your own expense, to do the following with respect to developing the Restaurant at the Site:

(i) secure all financing required to develop and operate the Restaurant;

(ii) sign a lease or otherwise obtain the right to occupy the Site within 120 days of the Agreement Effective Date;

(iii) obtain all building, utility, sign, health, sanitation, business and other permits and licenses required to construct and operate the Restaurant;

(iv) construct (the "**Construction**") all required improvements to the Site and decorate the Restaurant in compliance with plans and specifications we have approved;

(v) you must give us notice of commencement of the Construction within 5 days of the date it began, with progress reports at least once per week; thereafter. You agree to submit additional information related to the construction and development of your Restaurant, including, without limitation, budget variances and cost information, as we reasonably request from time to time;

(vi) the Construction must be completed within 180 days of our acceptance of the Site;

(vii) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services;

(viii) purchase or lease and install all Operating Assets required for the Restaurant; and

(ix) purchase an opening inventory of authorized and approved products, retail merchandise, materials and supplies.

**4.2. Décor.** You agree that all décor of your BURGER 21® Restaurant must be previously approved by us and must comply with our standards as described in the Manuals or other communications, which may be periodically revised. Your failure to maintain the Restaurant's décor in compliance with our System and the standards described in the Manuals or otherwise constitutes a material breach of this Agreement.

**4.3. Restaurant Opening.** You agree not to open the Restaurant for business until:

(a) we approve the Restaurant as developed in accordance with our specifications and standards;

(b) pre-opening training has been completed to our satisfaction and we have scheduled an Opening Team to supervise the opening of your Restaurant;

(c) the initial franchise fee and all other amounts then due to us have been paid;

(d) we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept; and

(e) we have received signed counterparts of all required documents pertaining to your acquisition of the Site.

You agree to open the Restaurant for business within 12 months following the Agreement Effective Date and within 21 days after we notify you that the above conditions have been satisfied; but in no event later then the time required under any other agreement you have with us. You acknowledge that time is of the essence for purposes of opening the Restaurant and that your failure to open the Restaurant and commence operations in accordance with the terms of this Agreement constitutes a material default under this Agreement.

If you fail to secure any items or complete any tasks needed to open your Restaurant for business in a timely manner, we may make arrangements to secure such items and complete such tasks on your behalf. If we do, you must reimburse us for our associated costs within 10 days after we bill you for such costs.

**4.4. Grand Opening Program.** You agree to conduct a grand opening advertising and promotional program for the Restaurant after its opening. You must spend for such purpose the minimum amount that we specify, which will be not less than $10,000 nor more than $15,000 (exclusive of the cost of food, mailing magnets and distribution of fliers that we specify for use in the grand opening program), as determined by us in our sole discretion. The grand opening must be conducted after the certificate of occupancy for the Restaurant has been received and up to 90-days post-opening, as determined by us. Such advertising and promotion will only utilize the marketing and public relations programs, and media and advertising materials, and such other materials that we have developed or approved. We may require you to provide us with monthly expenditure reports that detail your grand opening advertising and promotion expenditures. If you fail to spend the required minimum amount, we may require you to reimburse us for amounts that we spend on your behalf to satisfy your grand opening obligation, plus our related expenses.

5. **FEES.**

In addition to the fees described elsewhere in this Agreement, you agree to pay the following amounts to us:

5.1. **Initial Franchise Fee**. You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount of $40,000. The initial franchise fee must be paid on the Agreement Effective Date. The initial franchise fee is nonrefundable and is fully earned by us when paid. You may qualify for a discount on the initial franchise fee, but no more than one discount will apply. If you meet the qualifications for a discount, then you and we will initial the appropriate discount mentioned below:

(a) IFA DiversityFran (10% for first location) so the initial franchise fee is $_____.
Initials: ______/______

(b) IFA VetFran (10% for first location) so the initial franchise fee is $_____.
Initials: ______/______

5.2. **Royalty**. You agree to pay us a royalty (**"Royalty"**) in the amount of 5% of your Restaurant's Net Sales during each reporting period that we specify in the Manuals (the **"Report Period"**). Notwithstanding the foregoing, the Percentage Royalty will not be greater than the amount we were charging at that time you signed an Area Development Agreement with us, if applicable. On the day we designate of each Report Period (the **"Report Day"**), you must report the amount of your Net Sales for the preceding Report Period. You must pay us the Royalty so that we receive it on or before the date that we specify during each Report Period (the **"Payment Day"**) for the immediately preceding Report Period.

5.3. **Definition of "Gross Sales."** As used in this Agreement, the term **"Gross Sales"** means the total actual gross charges at menu prices for all products (food and non-food) and services sold to customers of the Restaurant for cash or credit or any other method of payment, whether these sales are made at or from the Restaurant premises, or any other location before any discounts are applied. Any amounts that you collect and transmit to state or local authorities as sales, use or other similar taxes are also excluded from the definition of Gross Sales.

5.4. **Definition of "Net Sales."** As used in this Agreement, the term **"Net Sales"** means Gross Sales less discounts we have approved, or any charitable contribution amounts that we require from time to time, as prescribed in our Manuals or otherwise.

5.5. **Gift Card System Services Fee**. We reserve the right to charge you a fee for gift card processing, in the amount determined by us from time to time. These amounts will be due on the first Payment Day of each calendar month (or as otherwise prescribed by us in the Manuals), for services provided during the immediately preceding month. The amount we charge (if any) will be a pass through of the cost charged to us by any third party provider for these services. Alternatively, we may require you to pay these fees directly to a designated third party vendor.

5.6. **Electronic Funds Transfer**. We may require you to pay the Royalties and any or all other fees owed to us by electronic funds transfer on the Payment Day or such other day we designate for other fees. You must comply with the procedures we specify in our Manuals and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. Before the Restaurant opens, you must sign and deliver to us the documents we require to authorize us to debit your Account automatically for the Royalties, fund contributions and other fees owed us under this Agreement, and for certain specified or prescribed purchases you make from us and/or our affiliates. We will debit the Account for these amounts on their due dates, and you agree to ensure that funds are available in the Account to cover our withdrawals. On the Report Day, you must report to us by telephone or electronic means or on written form, as we direct, the Restaurant's true and correct Gross Sales and Net Sales for the immediately preceding Report Period. We may require you to give us authorization, in a form that we designate, to initiate debit entries or credit correction entries to the Restaurant's bank operating account (the "**Account**") for payments of Royalties and other amounts due under this Agreement, including any applicable interest charges. If so, you must make the funds available in the Account for withdrawal by electronic transfer no later than the Payment Day. The amount actually transferred from the Account to pay Royalties will be based on the Restaurant's Net Sales reported to us on the Report Day. If you have not reported the Restaurant's Net Sales to us for any reporting period, we may transfer from the Account an amount calculated in accordance with our reasonable estimate of the Restaurant's Net Sales during any such reporting period. If we determine at any time that you have under-reported Net Sales or Gross Sales or underpaid Royalties or other amounts due to us, we will be authorized to immediately initiate a transfer from the Account in the appropriate amount in accordance with the foregoing procedures, including applicable interest and late charges. Any overpayment will be credited to the Account through a credit, effective as of the first Report Day after you and we determine that such credit is due. We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit (e.g., by check) whenever we deem appropriate, and you agree to comply with our payment instructions.

**5.7.** **Technology and Hosting Fee**. We may, in the future, require the use of software and hardware, which will enable you to become a "thin client" user with us acting as a host, housing the software and programs which you will use and access through the internet at our website. We may in the future also grant you the rights to use any menu and inventory database that we establish and/or e-learning tools or other technology-driven training or operating initiatives that we provide or make available to you. If we do, we may charge you reasonable fees for initial setup, access, hosting, support and/or maintenance.

**5.8.** **Evaluation Fee**. We may charge an Evaluation Fee of $500 per occurrence if we determine it is necessary for us to conduct one or more follow-up evaluations to confirm that you have corrected any deficiencies that we have made known to you and to ensure that you are otherwise complying with your Agreement and the Operating Manual; or any evaluation requested by you. We may increase this fee from time to time, not to exceed $1,500 per occurrence.

**5.9.** **Interest on Late Payments**. All amounts which you owe us will bear interest after their due date at the annual rate of eighteen 18%. You acknowledge that we do not agree to accept any payments after they are due nor commit to extend credit to, or otherwise finance your operation of, the Restaurant. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement.

**5.10.** **Insufficient Funds Charge**. You agree to pay on demand a dishonored check charge of $50 for each dishonored check you tender to us or if there are insufficient funds in your Account when we draft it for payment of fees or other amounts due us.

**5.11.** **Compliance Fee**. If we determine that you have violated this Agreement and send you a notice of the violation in accordance with its terms, then we will assess, and you will be required to pay within 10 days of such notice, a fee ranging from $100 to $1,500 per notice. This Compliance Fee applies for each notice of violation we send you even if the violation is of the same provision of this Agreement, but we will not assess a Compliance Fee more than one time per month for a particular violation. However, multiple violations resulting in multiple notices, will result in multiple Compliance Fees and a higher Compliance Fee due to frequency of violations during each year.

**5.12.** **Application of Payments**. Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners.

5.13. **Payment Offsets**. We may setoff from any amounts that we may owe you any amount that you owe to us, or our affiliates, for any reason whatsoever, including without limitation, Royalties, Advertising Contributions, late payment penalties and late payment interest, amounts owed to us or our affiliates for purchases or services or for any other reason. Thus, payments that we make to you may be reduced, in our discretion, by amounts that you owe to us or our affiliates from time to time. In particular, we may retain (or direct to our affiliates) any amounts that we have received for your account as a credit and payment against any amounts that you may owe to us, or our affiliates, at any time. We may do so without notice to you at any time. However, you do not have the right to offset payments owed to us for amounts purportedly due to you from us.

5.14. **Discontinuance of Service**. If you do not timely pay amounts due us under this Agreement, we may discontinue any services to you, without limiting any of our other rights in this Agreement.

## 6. TRAINING AND ASSISTANCE.

6.1. **Initial Training**. If this Agreement relates to the first or second BURGER 21® Restaurant operated by you or your affiliates, then, before the Restaurant opens, we will furnish initial training on the operation of a BURGER 21® Restaurant to you and up to 4 other managers (or, if you are a Business Entity, up to 5 of your owners or managers). Each such manager must obtain an Approved Certification pursuant to Section 6.3 prior to attending the initial training (Serve Safe, Alcohol Course). A minimum of 4 managers acceptable to us must satisfactorily complete our initial training program (including you or a manager that you designate in accordance with Section 10.14). We will charge a fee up to $1,000 for each person over the first 5 that attends the initial training at any time. At our sole discretion, for franchisees with certain prior foodservice and/or a franchise background, the initial training will last for approximately 7 to 10 weeks at our Restaurant Support Center and/or at our affiliates' BURGER 21® Restaurants in Tampa, Florida. For franchisees that are new to the restaurant business, or have limited restaurant experience, the initial training will last for 8 to 11 weeks. We will determine the duration of the initial training program, in our sole discretion, based on our assessment of your qualifications and business experience. Successful completion of the initial training program is a condition to the opening of the BURGER 21® Restaurant to the public. Training must be completed no earlier than 120 days but no later than 30 days prior to opening. Each person who attends training may be required to sign and deliver to us a liability waiver and release form; a non-competition agreement; and a confidentiality, non-solicitation and assignment of inventions agreement, in forms reasonably satisfactory to us. You also are required to participate in all other activities required to operate the Restaurant. Although we will furnish initial training to you and 4 other managers, or up to 5 of your owners or managers if you are a Business Entity, at no additional fee or other charge, you will be responsible for all compensation, travel, lodging and living expenses which such persons incur in connection with training. You agree to replace an employee if we determine that he or she is not qualified to serve at the Restaurant. If we allow the Restaurant to be operated under the direct on-premises supervision of a manager designated by you and acceptable to us, we may still require you (or one of your owners acceptable to us) to complete portions of the initial training program, as determined by us in our sole discretion. If we determine that you, or your owners or managers, are unable to complete initial training to our satisfaction, we have the right to terminate this Agreement.

6.2. **Line Cook Training**. Before the Restaurant opens, you must send 3 or 4 experienced line cooks to our affiliates' BURGER 21® Restaurant(s) in Tampa, Florida, for kitchen training (**"Line Cook Training"**). We reserve the right to designate a franchised BURGER 21® Restaurant located outside of Tampa, Florida, to host/provide Line Cook Training, as determined by us in our sole discretion. Line Cook Training lasts for approximately 1 to 2 weeks. We will determine the duration of Line Cook Training in our sole discretion, based on our assessment of your line cooks' background and experience. Line Cook

Training must be completed no earlier than 30 days and no later than 10 days prior to opening. Each person who attends training may be required to sign and deliver to us a liability waiver and release form; a non-competition agreement; and a confidentiality, non-solicitation and assignment of inventions agreement, in forms reasonably satisfactory to us. Although we will furnish Line Cook Training to up to 4 of your line cooks at no additional fee or other charge, you will be responsible for all compensation, travel, lodging and living expenses which such persons incur in connection with the training.

**6.3.** **Food Protection Manager Course and Alcohol Course**. You and 3 other persons (or, if you are a Business Entity, up to 5 of your owners or managers) must have a manager food safety and alcohol training certification through our approved vendor (an "**Approved Certification**"). All operating owners and managers must have an Approved Certification. We will charge a fee in an amount up to $200 for each person attending the Food Protection Manager Course and the Alcohol Course, and you will be responsible for all compensation, travel and living expenses which such persons incur in connection with training. If an equivalent course is offered in the area where your Restaurant is located, you may request to complete that course to satisfy the requirements of this provision. We will not unreasonably withhold our approval. You must provide us with a certificate of completion prior to attending our initial training program. Some states require that additional criteria be met in order to operate a restaurant; please check with your local state agency. You are solely responsible for complying with all laws, ordinances, rules and regulations relating directly or indirectly to the development and operation of the Restaurant.

**6.4.** **Opening Assistance**. If this Agreement relates to the first or second BURGER 21® Restaurant operated by you or your affiliates, then we will provide, at our cost, the services of: (a) 2 personnel ("**Pre-Opening Team**") for a period of 1 week prior to the opening of your Restaurant; and (b) 4 personnel ("**Post-Opening Team**") (collectively the Pre-Opening Team and the Post-Opening Team are the "**Opening Team**") for a period of 1 week after opening for supervisory assistance and guidance in connection with the opening and initial operation of your BURGER 21® Restaurant. We have the right to determine the time or times at which the Opening Team will be available to you, but will not do so until after you have: (i) satisfied the pre-opening conditions described in the Pre-Opening Agreement attached as Exhibit "C" to this Agreement and delivered an executed copy of the Pre-Opening Agreement to us; and (ii) received a certificate of occupancy for your BURGER 21® Restaurant and delivered a copy of such certificate to us. In the event that you need and request additional opening assistance, and we approve such request, you will pay all costs and expenses of the Opening Team, for the duration of their assistance at your BURGER 21® Restaurant. We will select the Opening Team and its personnel are subject to change or removal by us as we determine appropriate, in our sole discretion. We are not obligated to provide an Opening Team if this Agreement relates to your third or subsequent BURGER 21® Restaurant.

**6.5.** **Periodic Training**. We may require you, or your owners, and/or your managerial level employees to satisfactorily complete ongoing training programs, including periodic refresher training courses at such times and locations that we designate. We may charge reasonable fees for ongoing training of you (or your owners) and manager-level employees. Besides attending these courses, we may require you (or one of your principal owners) and one manager acceptable to us to attend an annual convention of our franchise owners and other periodic conferences and/or seminars, as determined by us, at location(s) designated by us. Attendance at such conventions or seminars will not be required for more than 7 business days during any calendar year (including an annual operators' conference). We may charge a registration fee to cover our expenses related to such conventions and/or seminars. You agree to pay all compensation, travel and living expenses which you and your employees incur during all training courses, programs, conventions and seminars. We may also require you (or your owners) and/or your managerial employees to attend and satisfactorily complete a remedial standards retraining course if you fail to operate the Restaurant in compliance with system standards. A separate training fee of up to $1,200 per person may be charged for such training, and you will be responsible for all of your (or your owners') and your employees' travel and living expenses. Such remedial training is in addition to any other rights and remedies available to us. If you fail to attend any required training, we may charge you a training compliance fee of up to $1,500. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify at any time and from time to time. We may from time to time provide or make available to you online training tools ("**e-learning**") and provide part of the initial training and all or any portion of ongoing training to you and your employees via e-learning. You agree to give us reasonable assistance in training other BURGER 21® Restaurant franchisees. We will reimburse you for your reasonable out-of-pocket expenses in providing such assistance.

**6.6.** **General Guidance**. We will advise you from time to time regarding the operation of the Restaurant based on reports you submit to us or inspections we make. In addition, we will furnish guidance to you with respect to:

(a) standards, specifications and operating procedures and methods utilized by BURGER 21® Restaurants;

(b) purchasing required and authorized Operating Assets, products and supplies, and arranging for their distribution to you;

(c) recipes, food preparation methods, and menu items;

(d) use of suppliers, approved products, volume buying;

(e) advertising and marketing materials and programs;

(f) employee training; and

(g) administrative, bookkeeping and accounting procedures.

Such guidance may include, without limitation, food and beverage cost tools and other financial and cost information that we periodically prepare or compile and share with franchisees. Any such information is provided without warranty as to its completeness or accuracy, as there may be occasional errors or variations among unit measurements or market conditions that can affect the numbers, calculations or projections contained therein. You are solely responsible for verifying the accuracy of all such information.

Our guidance will, at our discretion, be furnished in our Manual; in bulletins or other written materials; by electronic media; and/or during telephone consultations and/or consultations at our office or the Restaurant.

At your request, we will furnish additional guidance and assistance and, in such a case, may charge the per diem fees and charges we establish from time to time. If you request or we require additional or special training for your employees, all of the expenses that we incur in connection with such training, including per diem charges, compensation and travel and living expenses for our personnel, will be your responsibility.

6.7. **Network Trainer**. If you own 4 or more Restaurants, you must hire someone to act as your "network trainer" to oversee training in your Restaurants. The "network trainer" must attend specific training we designate to enable them to train others and improve their training skills. This will require the "network trainer" to meet our training qualifications, requirements and certification.

7. **MARKS.**

7.1. **Ownership and Goodwill of Marks**. Your right to use the Marks is derived solely from this Agreement and limited to your operation of the Restaurant at the Site pursuant to and in compliance with this Agreement and all System Standards we prescribe from time to time during its term. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Restaurant in compliance with this Agreement). All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols we authorize you to use.

7.2. **Limitations on Your Use of Marks**. You agree to use the Marks as the sole identification of the Restaurant, except that you agree to identify yourself as the independent owner in the manner we prescribe. You may not use modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of the Restaurant or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at the Restaurant, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law.

7.3. **Notification of Infringements and Claims**. You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

7.4. **Discontinuance of Use of Marks**. If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We will not reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

7.5. **Indemnification**. We will indemnify you against and reimburse you for all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of our Marks, pursuant to and in compliance with this Agreement, resulting from claims by third parties that your use of any of the Marks infringes their trademark rights, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of this Agreement. We will not indemnify you against the consequences of your use of the Marks except in accordance with the requirements of this Agreement. You must provide written notice to us of any such claim within 10 days of your receipt of such notice and you must tender the defense of the claim to us. We will have the right to defend any such claim and if we do so, we will have no obligation to indemnify or reimburse you for any fees or disbursements of any attorney retained by you. If we elect to defend the claim, we will have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

## 8. <u>CONFIDENTIAL INFORMATION</u>.

**8.1.** **<u>Types of Confidential Information</u>**. We possess (and will continue to develop and acquire) certain confidential information (the "**Confidential Information**") relating to the development and operation of BURGER 21® Restaurants, which includes (without limitation):

(a) the System and the know-how related to its use;

(b) plans, specifications, size and physical characteristics of BURGER 21® Restaurants;

(c) site selection criteria, land use and zoning techniques and criteria;

(d) methods in obtaining licensing and meeting regulatory requirements;

(e) sources and design of equipment, furniture, forms, materials and supplies;

(f) marketing, advertising and promotional programs for BURGER 21® Restaurants;

(g) staffing and delivery methods and techniques for personal services;

(h) the selection, testing and training of personnel for BURGER 21® Restaurants;

(i) the recruitment, qualification and investigation methods to secure employment for employment candidates;

(j) any computer software we make available or recommend for BURGER 21® Restaurants;

(k) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of BURGER 21® Restaurants;

(l) knowledge of specifications for and suppliers of certain products, materials, supplies, furniture, furnishings and equipment;

(m) recipes, formulas, preparation methods and serving techniques; and

(n) knowledge of operating results and financial performance of BURGER 21® Restaurants other than those operated by you (or your affiliates)

**8.2.** **<u>Disclosure and Limitations on Use</u>**. We will disclose much of the Confidential Information to you and personnel of the Restaurant by furnishing the Manuals to you and by providing training, guidance and assistance to you. In addition, in the course of the operation of your Restaurant, you or your personnel may develop ideas, concepts, methods, menu items, preparation or serving techniques or improvements, ("**Improvements**") relating to your Restaurant, which you agree to disclose to us. We will be deemed to own the Improvements and may use them and authorize you and others to use them in the operation of BURGER 21® Restaurants. By this paragraph, you assign ownership of any Improvements, and all related rights to that Improvement to us and agree to take whatever action (including signing assignment, foreign or domestic registrations, applications or notifications, or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in such Improvement. Improvements will then also constitute Confidential Information.

8.3. **Confidentiality Obligations**. You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your Restaurant, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary, includes trade secrets belonging to us and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you:

(a) will not use the Confidential Information in any other business or capacity;

(b) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(c) will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Manuals; and

(d) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information.

8.4. **Exceptions to Confidentiality**. The restrictions on your disclosure and use of the Confidential Information will not apply to the following:

(a) disclosure or use of information, processes, or techniques which are generally known and used in the Restaurant business (as long as the availability is not because of a disclosure by you), provided that you have first given us written notice of your intended disclosure and/or use; and

(b) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

9. **EXCLUSIVE RELATIONSHIP**. You acknowledge and agree that we would be unable to protect Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among BURGER 21® Restaurants if franchised owners of BURGER 21® Restaurants were permitted to hold interests in or perform services for a Competitive Business (defined below). You also acknowledge that we have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us. You agree that, during the term of this Agreement, neither you nor any of your owners (nor any of your or your owners' spouses or children) will:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business operating within 2 miles of the Site;

(b) have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business, wherever located;

(c) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Restaurant® operating within 10 miles of any BURGER 21® Restaurant other than the Restaurant;

(d) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Restaurant®, wherever located; or

(e) recruit or hire any person who is our employee or the employee of any BURGER 21® Restaurant without obtaining the prior written permission of that person's employer.

The term "**Competitive Restaurant®**" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any restaurant or food service facility that is the same or similar to a BURGER 21® Restaurant or that features hamburgers, shakes or french fries for 25% or more of its menu offerings or gross sales, whether for quick service, quick casual or full service dining (other than a BURGER 21® Restaurant operated under a franchise agreement with us).

## 10. OPERATION AND SYSTEM STANDARDS.

**10.1. Operations Manual**. We will grant you access, during the term of this Agreement, to our manuals (the "**Manuals**"), consisting of such materials (including, as applicable, audiotapes, videotapes, magnetic media, computer software and written materials) that we generally furnish to franchisees from time to time for use in operating a BURGER 21® Restaurant. We may do so with print versions or electronically only. The Manuals contain mandatory and suggested specifications, standards, operating procedures and rules ("**System Standards**") that we prescribe from time to time for the operation of a BURGER 21® Restaurant and information relating to your other obligations under this Agreement and related agreements. You agree to follow the standards, specifications and operating procedures we establish periodically for the BURGER 21® System that are described in the Manuals. You also must comply with all updates and amendments to the BURGER 21® System as described in newsletters or notices we distribute, including via computer systems or other technology systems. You must maintain the Manuals as confidential and maintain the information in the Manuals as secret and confidential. The Manuals may be modified, updated and revised from time to time to reflect changes in System Standards.

At our option, we may post some or all of the Manuals and/or other documentation and communication of standards, policies and procedures, on a restricted Website or extranet to which you will have access. "**Website**" means an interactive electronic document contained in a network of computers linked by communications software, including the internet and world wide web home pages. If we do so, you agree to monitor and access the Website or extranet for any updates to the Manuals or System Standards. We, or our designee, will periodically notify you electronically about updates, changes, or deletions to the content posted on the restricted Website or extranet. We or they will not issue, nor will you receive, any updates, changes, or deletions to this content in hard copy form. Any passwords or other digital identifications necessary to access the Manuals on a Website or extranet will be deemed to be part of Confidential Information.

You agree to keep your copy of the Manuals full, complete and current and in a secure location at the Restaurant. In the event of a dispute relating to its contents, the master copy of the Manuals we maintain at our principal office will be controlling. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manuals.

**10.2. Compliance with System Standards**. You acknowledge and agree that your operation and maintenance of the Restaurant in accordance with System Standards are essential to preserve the goodwill of the Marks and all BURGER 21® Restaurants. Therefore, at all times during the term of this Agreement, you agree to operate and maintain the Restaurant in accordance with all of our System Standards, however communicated to you and as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the System's or the Restaurant's best interest. Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, you retain the right to, and responsibility for, the day-to-day management and operation of the Restaurant and implementing and maintaining System Standards at the Restaurant. As examples, System Standards may regulate any one or more of the following with respect to the Restaurant:

(a) design, layout, decor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos, and illumination;

(b) types, models and brands of required fixtures, furnishings, equipment, signs, software, POS systems, materials and supplies;

(c) required or authorized products and product categories including for all food and beverage items and portions devoted to each supplier of products and other merchandise for sale at the Restaurant;

(d) designated or approved suppliers (which may be limited to or include us) of fixtures, furnishings, equipment, signs, software, products, ingredients, materials and supplies including for all food and beverage items;

(e) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services, including direct labor, that you obtain from us, unaffiliated suppliers or others;

(f) sales, marketing, advertising, customer service and promotional programs and materials and media used in such programs;

(g) use and display of the Marks at the Restaurant and on any paper and plastic products or supplies;

(h) staffing levels for the Restaurant and matters relating to managing the Restaurant; communication to us of the identities of the Restaurant's personnel; and qualifications, training, dress and appearance of employees (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, worker eligibility, rates of pay and other benefits, work assigned, and working conditions);

(i) days and hours of operation of the Restaurant;

(j) participation in market research and testing and product and service development programs, "Mystery Shop" programs (including payment terms to third-party providers or reimbursement to us), as well as participation in, and dues assessed for, advisory councils;

(k) acceptance of credit and debit cards and other payment systems; and honoring and issuing gift certificates, coupons and gift cards, rewards and loyalty programs;

(l) bookkeeping, accounting, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us;

(m) purchase, storage, preparation, handling and packaging procedures and techniques for Restaurant materials, products and supplies; and inventory requirements for Restaurant materials, products and supplies;

(n) terms and conditions of the sale and delivery of, and terms and methods of payment for, products and services that you obtain from us and affiliated and unaffiliated suppliers, including your obligation to purchase and use, to the maximum extent possible; and our and our affiliates' right not to sell you any products or services or to do so only on a cash-on-delivery or other basis if you are in violation of or in default under any agreement with us; and

(o) regulation of such other aspects of the operation and maintenance of the Restaurant that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and BURGER 21® Restaurants.

You agree that System Standards prescribed from time to time in the Manual, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth. All references to this Agreement include all System Standards as periodically modified.

**10.3.** __**Modification of System Standards**__. We may periodically modify System Standards, which may accommodate regional or local variations as we determine, and any such modifications may obligate you to invest additional capital in the Restaurant (“**Capital Modifications**”) and/or incur higher operating costs; provided, however, that such modifications will not alter your fundamental status and rights under this Agreement. Capital Modifications are in addition to the costs you will incur to repair, replace or refurbish your equipment and fixtures from time to time. You agree to implement any changes in System Standards and to adopt any capital modifications within the time period we request, whether they involve refurbishing or remodeling the Premises, or any other aspect of the Restaurant, buying new Operating Assets, adding new products and services, or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Agreement Effective Date

**10.4.** __**Pricing**__. We reserve the right, at any time and from time to time, to establish maximum, minimum, or other pricing requirements on prices that you may charge for products or services to the fullest extent allowed by applicable law, which may include regional, special venue or demographic variations.

**10.5.** __**Interior and Exterior Upkeep**__. You must at all times maintain the Restaurant's interior and exterior and the surrounding area in the highest degree of cleanliness, orderliness and sanitation and comply with the requirements regarding the upkeep of the Restaurant established in the Manuals and by federal, state and local laws.

**10.6.** __**Hours of Operation**__. You must operate the Restaurant during the hours and on the days prescribed by us in the Manuals or otherwise approved in advance in writing by us.

**10.7.** __**Accounting, Computers and Records**__. You must obtain your accounting services and any required hardware or software related to them. You must at all times maintain the records reasonably specified in the Manuals, including, without limitation, sales, inventory and expense information. You must report Gross Sales, Net Sales and other business information to us using the format, reporting system and accounting system that we require from time to time. You must provide your own internet service provider but it must meet our specifications for speed, bandwidth and similar capabilities. You must use in developing and operating the Restaurant the computer equipment, operating and accounting software, and technology systems (collectively, the “**Computer System**”) that we periodically specify. We will have access to the Computer System and may control all PLUS ***“price look up code”*** and may specify central enterprise systems for you to use. We may require you to obtain specified computer hardware or software and may modify specifications for and components of the Computer System from time to time. Our modifications and specifications for components of the Computer System may require you to incur costs to purchase, lease or license new or modified computer hardware or software and to obtain service and support for the Computer System during the term of this Agreement. You agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications), as long as the Computer System we specify for use is the same Computer System that we or our affiliates then currently use in BURGER 21® Restaurants that we or they own and operate. Within 90 days after you receive notice from us, you must obtain the components of the Computer System that we designate and require. The Computer System must be capable of connecting with our Computer System so that we can daily review the results of your Restaurant's operations. We also have the right to charge you a reasonable systems fee for modifications of and enhancements made to any proprietary software that we license to you and other maintenance and support services that we or our affiliates furnish to you related to the Computer System.

**10.8. <u>Trade Accounts and Taxes</u>.** You must maintain your trade accounts in a current status and seek to resolve any disputes with trade suppliers promptly. You must timely pay all taxes incurred in connection with your Restaurant's operations. If you fail to maintain your trade accounts in a current status, timely pay such taxes or any other amounts owing to any third parties or perform any non-monetary obligations to third parties, we may, but are not required to, pay any and all such amounts and perform such obligations on your behalf. If we elect to do so, then you must reimburse us for such amounts. You agree to repay us immediately upon receipt of our invoice. We may also set-off the amount of any such reimbursement obligations against all amounts which we may owe you.

**10.9. <u>Proprietary Materials</u>.** You must purchase from us or approved manufacturers or suppliers certain articles used in operating the Restaurant and bearing any of the Marks. These items may include employee clothing (such as shirts, hats, aprons and other merchandise with our Marks), menus, table tents, check presenters, matches, napkins, glassware, signage, hardware and software (collectively, the "**Proprietary Materials**"), at then-prevailing prices, plus freight, taxes and delivery costs. You must grant us a security interest in all the materials, supplies and equipment listed on Exhibit "B" to this Agreement (the "**Secured Equipment**"). The lessor for the Site must waive any lien rights it may have for the Secured Equipment either in the lease agreement or in the Rights of Franchisor Rider to Lease attached as an exhibit to our Franchise Disclosure Document. The security interest in the Secured Equipment secures the payment to us and the performance of all of your obligations under this Agreement and the purchase price of all Secured Equipment sold to you by us or our affiliates, all obligations of you to us relating to the purchase, and all costs, expenses, future advances and liabilities which may be made or incurred by us in the administration and collection of any such obligations. To the extent applicable, you grant to us and our affiliates a purchase money security interest in all products that you purchase from us or our affiliates, and you consent to any notices given to other creditors designed to perfect such security interest and grant to us or our affiliates first priority. This Agreement constitutes a security agreement, and upon our request, you will sign and deliver to us any additional documents required to perfect such security interest including, without limitation, a standard Uniform Commercial Code ("**UCC**") financing statement. You authorize us to file a copy of this Agreement, a UCC financing statement and any other documents that may be necessary to perfect the security interest granted by you in this Agreement.

**10.10. <u>Operating Assets and Restaurant Materials</u>.** You must acquire all supplies, materials and food and beverage products for use in connection with your BURGER 21® Restaurant (collectively, the "**Restaurant Materials**") and all fixtures, furnishings, equipment (signs, including cash registers, telecopiers and computer hardware and software) (the "**Operating Assets**") from us (or our affiliates), suppliers we have previously approved, or according to our standards and specifications. We will only approve suppliers whose Restaurant Materials and Operating Assets meet the quality standards that we establish from time to time. You will only place or display at the Site (interior and exterior) such signs, emblems, lettering, logos and display materials that we periodically approve.

**10.11. <u>Sourcing Restrictions</u>.** We have developed or may develop standards and specifications for types, models and brands of required Operating Assets, other products, supplies, food products, materials, signage, uniforms and other items that are utilized in the operation of BURGER 21® Restaurants (the "**Restaurant Materials**"). We reserve the right at any time and from time to time to approve specifications or suppliers and distributors of the above products that meet our reasonable standards and requirements, and work to designate mandatory suppliers and distributors of them (all of which may include us or our affiliates). If we do so, you agree to purchase only such products meeting those specifications, and, if we require it, only from distributors and other suppliers we have approved, including ourselves or our affiliates. We may designate a single distributor or supplier (collectively, "**Designated Supplier**") for any product, service, equipment, supply or material and may approve a supplier or distributor only as to certain products. The Designated Supplier may be us, one of our affiliates, or a designated third party. Unless we specify otherwise, you agree to purchase from us, our affiliate, or our Designated Suppliers, all Operating Assets and Restaurant Materials. We and our affiliates may receive payments from Designated Suppliers on account of such suppliers' dealings with you and other franchise owners, and may use any amounts so received without restriction and for any purpose we and our affiliates deem appropriate. We or our affiliates may concentrate purchases with one or more suppliers or distributors to obtain lower prices or the best advertising support or services. Our approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, regional capability, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria, and may be temporary pending our continued evaluation of the supplier or distributor from time to time. You consent to vendors providing us with information on your payment and account status, as well as access to copies of orders, shipments, deliveries and payment information.

**10.12. <u>Approved Products</u>.** You must not sell any food or beverage products or other items at the Restaurant that we have not previously approved for sale. You must only use and display menus that have been prescribed or approved (except for prices) in advance by us. You must sell all the food and beverage products that are included on the prescribed or approved menus, and no others. We will be the sole supplier of certain proprietary food products. We may negotiate group or volume purchasing arrangements with approved suppliers. We will be entitled to all rebates, bonuses and promotional benefits associated with those programs. You must strictly follow all of our recipes for all menu items as such recipes are specified from time to time in the Manuals or otherwise. You must not, without our prior written consent, sell, dispense, give away or otherwise provide food or beverage products or other products or items except by means of retail sales or complimentary meals to employees or customers at the Restaurant, or a program of charitable giving. You must immediately implement changes to the products, food, service or other items requested by us, including menu changes. You must maintain an inventory of food and beverage products sufficient to meet the daily demands of the Restaurant for all items specified in the menus. Any and all recipes or menu changes submitted by you for inclusion on the menus will become our property and you agree to sign all documents necessary to convey all rights and title, including all rights in such recipes to us.

**10.13. <u>Changes to Approved Suppliers</u>.** If you want to propose a new supplier of Restaurant Materials or Operating Assets for any supplier that is not affiliated with us, you must submit to us sufficient written information as we determine appropriate about the proposed new supplier to enable us to approve or reject either the supplier or the particular items. We will have a reasonable amount of time from receipt of all of the information we require to approve or reject the proposed new supplier or items. We may consider in providing such approval not just the quality standards of the products or services, but their delivery capabilities, financing terms and ability to service our franchise system as a whole. We may terminate or withhold approval of any Restaurant Materials or Operating Assets, or any supplier of such items, that do not meet our quality standards by giving you written notice. If we do so, you must immediately stop purchasing from such supplier or using such Restaurant Materials or Operating Assets in your BURGER 21® Restaurant until we notify you that such supplier or such Restaurant Materials or Operating Assets meet our quality standards. At our request, you must submit to us sufficient information about a proposed supplier and samples of the proposed Restaurant Materials or Operating Assets for our examination so that we can determine whether they meet our quality standards. We also must have the right to require our representatives to be permitted to inspect the proposed supplier's facilities at your expense. We may charge a fee for evaluating alternative suppliers.

**10.14. Management**: Except as provided below, you (or your owner) must act as the manager of the Restaurant with responsibility for direct, on-premises supervision of the Restaurant. You must keep us informed at all times of the identity of any supervisory employee(s) acting as assistant manager(s) of the Restaurant. You (or your owner) must devote full time and best efforts to the management and supervision of the Restaurant. However, if we otherwise allow (in our sole discretion) upon your written request, then the Restaurant may be operated under the direct on-premises supervision of a manager, designated by you, that: (a) meets our then-current qualifications; (b) has satisfactorily completed our required training programs; and (c) has signed our then-current form of Noncompetition Agreement and Confidentiality, Non-solicitation and Assignment of Inventions Agreement. You must replace any manager (by yourself or otherwise), submit his or her background and qualifications, and obtain verification from us that the proposed manager meets our qualifications, within 30 days of the former manager's departure.

**10.15. Personnel**. You must: (a) hire, train and supervise Restaurant personnel in accordance with the specifications set forth in the Manuals; and (b) cause your personnel to meet every requirement imposed by applicable federal, state and local law and any we require as a condition to their employment, other than the terms of employment of personnel for your Restaurant such as compensation, benefits, etc. All persons you employ must sign our then current form of Confidentiality, Non-Solicitation and Assignment of Inventions Agreement. You are liable to us for any unauthorized disclosure of such information by any of your Owners, directors, employees, representatives or agents.

**10.16. Compliance with Laws and Good Business Practices**. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant and must operate the Restaurant in full compliance with all applicable laws, ordinances and regulations, including government regulations relating to occupational hazards, health, environment, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The Restaurant must in all dealings with its customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, timeliness, respect, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks, the System, and other BURGER 21® Restaurants. You must notify us in writing within 5 days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Restaurant and of any notice of violation of any law, ordinance, or regulation relating to the Restaurant.

**10.17. Insurance**. During the Term, you must maintain in force at your sole expense comprehensive public liability, general liability, product liability and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Restaurant's operation. All such insurance must contain the minimum liability coverage (on an occurrence and aggregate basis) we prescribe from time to time. Such insurance coverage may specifically include auto insurance on any vehicles that you may acquire for promotional events, residential, institutional or commercial deliveries, or other business activities in connection with the Restaurant. You must also maintain in force insurance covering: employee dishonesty; money and securities; and business interruption. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurers must meet with our approval including meeting our required minimum ratings from the rating agency we designate. These insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Restaurant on your behalf, in which event you will cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

**10.18. Music and Other Audio and Visual Entertainment.** You acknowledge and agree that the provision of music and audio and visual entertainment to patrons of your Restaurant is, or may become, an integral part of the System. Accordingly, you agree to play only the types of music and display only the types of visual entertainment, at the decibel levels and using such equipment and in the manner that we may periodically prescribe or approve. You must acquire or install any audio or visual equipment that we designate or require for use by your Restaurant and you must subscribe to music and video services as we may periodically specify, whether as an approved or designated supplier, to enable you to broadcast videos, music, and other content as specified by us from time to time. We may prohibit you from displaying, exhibiting, broadcasting or providing any media we choose, regardless of content, including prohibiting use of political, religious or social content in such media, in our sole and absolute discretion.

**10.19. Access to Restaurant.** You agree that we may periodically bring prospective BURGER 21® franchisees into the Restaurant, including the kitchen area, at reasonable times during normal business hours, to allow such prospects to view the Restaurant and its operations. In doing so, we agree to take all reasonable steps to minimize any potential disruption to your normal business operations.

## 11. ADVERTISING AND PROMOTION.

**11.1. Establishment of Advertising Fund.** We have established an advertising fund (the "**Advertising Fund**") for such advertising, marketing and public relations programs and materials on a system-wide basis that we deem necessary or appropriate at our sole discretion. You agree to contribute to the Advertising Fund such amounts that we prescribe from time to time (the "**Advertising Contributions**"), not to exceed 1.5% of your Gross Sales up to $1,500,000 and not to exceed 0.5% of your Gross Sales in excess of $1,500,000 per fiscal year (except as described below), payable in the same manner as the Royalty. The reduction will start the first full week following the week you reach the $1,500,000 threshold and will revert to the initial threshold rate (up to $1,500,000) at the beginning of the next fiscal year. The reduction will only apply to the amount over $1,500,000. We reserve the right to defer or reduce contributions of a BURGER 21® Restaurant franchisee and, upon 30 days prior written notice to you, to reduce or suspend contributions to and operations of the Advertising Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Advertising Fund. If the Advertising Fund is terminated, all unspent monies on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the Advertising Fund during the preceding 12 months. Our affiliates will contribute to the Advertising Fund on the same basis as franchise owners for any BURGER 21® Restaurants they own and operate.

**11.2. Use of the Funds.** We direct all programs financed by the Advertising Fund, with sole control over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. You agree that the Advertising Fund may be used to pay the costs of preparing and producing video, audio and written and digital advertising materials; developing, enhancing and maintaining an electronic commerce website including for online ordering; menu layout and design; administering system-wide, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail, internet, social media and other media advertising and employing advertising, promotion and marketing agencies, and vendors providing marketing services; development, implementation and maintenance of online asset management tools; marketing and advertising training programs and materials; and supporting public relations, market research and other advertising, promotion and marketing activities. We maintain ownership of all market research, designs, copyrights, and other data, materials and property financed through the Advertising Fund. The Advertising Fund periodically will furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies and individual requests of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges.

**11.3. Accounting for the Fund**. The Advertising Fund will not be our asset. Although the Advertising Fund is not a trust, we will hold all Advertising Fund contributions for the benefit of the contributors and use Advertising Fund contributions only for the purposes described in this section of this Agreement. We do not owe any fiduciary obligation to you for administering the Advertising Fund or for any other reason. The Advertising Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead, including rent and utilities, as we may incur in activities related to the administration of the Advertising Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Advertising Fund. All interest earned on monies contributed to the Advertising Fund will be used to pay advertising costs before other assets of the Advertising Fund are expended. We may spend, on behalf of the Advertising Fund, in any fiscal year an amount greater or less than the aggregate contribution of all BURGER 21® Restaurants to the Advertising Fund in that year. The Advertising Fund may borrow from us or others to cover deficits or invest any surplus for future use. If we lend money to the Advertising Fund, we may charge interest at an annual rate 1% greater than the rates we pay our lenders. We will prepare an annual statement of monies collected and costs incurred by the Advertising Fund and furnish the statement to you upon written request. We have the right to cause the Advertising Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified in this Agreement.

**11.4. Advertising Fund Limitations**. You acknowledge that the Advertising Fund is intended to maximize recognition of the Marks and patronage of BURGER 21® Restaurants. Although we will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all BURGER 21® Restaurants, we undertake no obligation to ensure that expenditures by the Advertising Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Advertising Fund by BURGER 21® Restaurants operating in that geographic area or that any BURGER 21® Restaurant will benefit directly or in proportion to its contribution to the Advertising Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Advertising Fund.

**11.5. Deposits**. We have the right to collect for deposit into the Advertising Fund any advertising, marketing or similar allowances paid to us by suppliers who deal with BURGER 21® Restaurants and with whom we have agreed that we will so deposit these allowances. These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes and which we and our affiliates, therefore, may use for any purposes we and they deem appropriate. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Advertising Fund contributions at the Advertising Fund's expense. We also may forgive, waive, settle and compromise all claims by or against the Advertising Fund. Except as expressly provided in this subsection, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing or administering the Advertising Fund. We may at any time defer or reduce Advertising Fund contributions of a BURGER 21® Restaurant franchise owner and, upon 30 days' prior written notice to you, reduce or suspend Advertising Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Advertising Fund. If we terminate the Fund, we will distribute all unspent monies to our franchise owners, and to us and our affiliates, in proportion to their and our respective Advertising Fund contributions during the preceding 12-month period.

**11.6. Your Advertising and Promotion.** You agree that any advertising, promotion and marketing you conduct will conform to our brand standards and be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. You must obtain and send us copies of all copyright authorizations and permissions that may be necessary from the appropriate parties. Samples of all advertising, promotional and marketing materials which we have not prepared or previously approved, or previously approved material which you have made changes to, must be submitted to us for approval before you use them. If you do not receive written approval within 15 days after our receipt of such materials, we will be deemed to have given the required approval, unless we have notified you prior to expiration of the review period that our review will take longer than 15 days, whether due to the nature of the proposed materials or other reasons. Our notice to you will specify the number of additional days for our review. You must not use any advertising or promotional materials that we have disapproved, whether or not you have already printed or developed them. We reserve the right to prohibit or restrict your participation in any coupons or online discount offers or promotions, as determined by us in our sole discretion.

You must spend no less than 3% of your Gross Sales on approved forms of local advertising and promotion for your Restaurant, measured over each fiscal year (or other period specified by us in the Operations Manual). You may spend more than the minimum required, at your discretion. If other franchise owners operate BURGER 21® Restaurants in the market area serviced by telephone or other directories, then you must participate in and pay your pro rata share (based on number of Restaurants) of the cost of such listings and advertising. Amounts that you spend for telephone, online or other directory listings will <u>not</u> count toward your 3% required local advertising expenditure. We may require you to submit an advertising expenditure report accurately reflecting all local advertising expenditures for the prior fiscal year (or other measurement period specified by us in the Operations Manual). If you fail to make the required minimum expenditures for local advertising and promotion in accordance with this Section, we may, at our option, require you to: (i) contribute the deficient amount to the Advertising Fund; or (ii) reimburse us for amounts that we spend on your behalf to satisfy your local advertising obligation, plus our related expenses.

**11.7. Co-op Participation and Contributions.** If an association of BURGER 21® Restaurant franchise owners is established in a geographic area in which your Restaurant is located (the "**Co-op**"), you must join and actively participate in it. You also must contribute to the Co-op such amounts as are determined from time to time by it, not to exceed 3% of your Gross Sales. Your local advertising requirement may be reduced by the amount that you contribute to any Co-op, but this does not include any in-store sales or promotional collateral that we may require from time to time for your Restaurant. We will not set the amount of the Co-op contributions, but we may periodically limit or reduce the maximum contribution amount, which will not exceed 3% of Gross Sales. The Co-op will adopt its own rules, regulations and procedures approved by the members, which you must follow. Generally the Co-op is to be administered by their members. Each Co-op will be required to prepare annual financial statements. However, the rules, regulations and procedures of the Co-op and any related agreements, as well as any changes or additions to them, are subject to our approval. All advertising utilized by the Co-op must not be used unless and until we have reviewed and approved it. We also have the right to participate in any meetings of the Co-op and its members. Your failure to timely contribute the amounts required by the Co-op constitutes a material breach of the provisions of this Agreement and we may offset against any amounts we owe to you the amount of your Co-op contributions and pay such contributions for you.

## 12. RECORDS, REPORTS AND FINANCIAL STATEMENTS.

**12.1. Accounting System.** You must deliver to us the financial and operating reports in the form, manner, content and time we specify from time to time. You will update all information in your Accounting System at least weekly, including, but not limited to, revenues, expenditures and other pertinent data. We may periodically change the Accounting System and the suppliers of accounting services. You will make available for our review and inspection during normal business hours all original books and records that we want to ascertain and verify financial statements or reports. You will maintain all of your books and records in accordance with generally accepted accounting principles. We may require you to use an accrual method of accounting and satisfy other accounting and record keeping requirements that we specify from time to time in the Manuals. You will maintain and preserve such records during the entire term of this Agreement and for 3 years following expiration or termination of this Agreement. Such records include deposit reports and receipts, cash receipts journal, general ledgers, cash disbursement journals, weekly payroll registers, monthly bank statements, supplier invoices (paid and unpaid), accounts payable journals, balance sheets, profit and loss statements, inventory records, records of wholesale accounts and such other records as we may require. We may use the information obtained as we deem appropriate, except that information you designate as confidential will not be disclosed to third parties in a manner that identifies you as the subject or source except: (i) with your permission; (ii) as may be required by law, (iii) in connection with audits or collections under this Agreement; or (iv) shared within the BURGER 21® Restaurant system (you understand that we disseminate operational and financial data throughout the system and to prospects). We may require you to use approved computer hardware and software in order to maintain the Accounting System and other communication processes.

**12.2. Reports**. You agree to furnish to us on such forms that we prescribe from time to time:

(a) within 5 days after their filing, copies of all sales tax returns for the Restaurant and, as soon as you have received them, copies of the canceled checks for the required sales taxes;

(b) on the Report Day, a report on the Restaurant's Gross Sales during the preceding Report Period;

(c) within 20 days after the end of each fiscal period (as designated by us in the Manuals), a profit and loss statement for the Restaurant for the immediately preceding fiscal period and year-to-date and a balance sheet as of the end of such fiscal period;

(d) within 90 days after the end of the Restaurant's fiscal year, annual profit and loss and source and use of funds statements (cash flow) and a balance sheet for the Restaurant as of the end of such fiscal year; and

(e) within 10 days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other information we may periodically require.

**12.3. Access to Information**. You agree to verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data derived from such reports. We also have the right to require you to have reviewed or audited financial statements prepared on an annual basis. If you repeatedly fail to timely deliver to us complete and accurate reports and statements, we may require you to engage an independent certified public accountant that we have approved to prepare and send them to us until we determine it is no longer necessary. Moreover, we have the right as often as we deem appropriate (including on a daily basis) to access all computer registers and other computer systems that you are required to maintain in connection with the operation of the Restaurant and to retrieve all information relating to the Restaurant's operations.

**12.4. Copies of Reports**. You agree to cause your accountant or tax preparer to mail all tax returns he prepares for you directly to the proper taxing authority. Simultaneous with their filing, you agree to cause your tax preparer or accountant to furnish us directly, with a copy of all sales, income and other tax returns relating to your BURGER 21® Restaurant. You must also send us copies of any sales or other reports sent to any landlord or governmental agency.

## 13. INSPECTIONS AND AUDITS.

**13.1. <u>Our Right to Inspect the Restaurant</u>**. To determine whether you and the Restaurant are complying with this Agreement and all System Standards, we and our designated agents have the right at any time during your regular business hours, and without prior notice to you, to:

(a) inspect the Restaurant;

(b) observe, photograph and videotape the operations of the Restaurant for such consecutive or intermittent periods as we deem necessary (including remotely);

(c) remove samples of any foods, products, materials or supplies for testing and analysis;

(d) interview personnel and customers of the Restaurant; and

(e) inspect and copy any books, records and documents relating to your operation of the Restaurant.

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews. We may require video camera systems that give us access to monitor adherence to our standards. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf. You must immediately correct or repair any unsatisfactory conditions we specify.

**13.2. <u>Our Right to Audit</u>**. We have the right at any time during your business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, your (if you are a Business Entity) and the Restaurant's business, bookkeeping and accounting records, sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. If our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis, or if the information is not accurate (i.e., your Royalties are understated by $750 or more in a fiscal year, advertising requirements are underpaid by $150 or more), you agree to pay us $175 per hour and reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. You also must immediately pay us any shortfall in the amounts you owe us, including late fees and interest. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

**13.3. <u>Our Right to Lender Notification and Communication</u>**. You must send us current information regarding the name, address, and telephone number of any financial institution or other financier that provided or is providing the financing enabling you to purchase or operate the Restaurant (each, a "**Lender**"), the name and telephone number of your contact at the Lender, and the updated terms of financing. You must also notify us in writing within 5 days following (a) any change in the Lender's information, (b) the financing terms extended to you for the Restaurant, or (c) any default by you under any agreement between you and the Lender. You further agree that we have the right to communicate with your Lender regarding any changes to the financing terms of the Restaurant, any default by you under an agreement with the Lender, or any change in your financial condition, provided that we reasonably notify you of any such communications.

## 14. TRANSFER.

14.1. **By Us**. This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests.

14.2. **By You**. You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a Business Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (nor any interest in it) nor any ownership or other interest in you or the Restaurant may be transferred without our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "**transfer**" includes your (or your owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) you; or (c) the Restaurant.

An assignment, sale, gift or other disposition includes the following events:

(i) transfer of ownership of 10% capital stock or a partnership interest;

(ii) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you;

(iii) any issuance or sale of your stock or any security convertible to your stock;

(iv) transfer of an interest in you, this Agreement or the Restaurant in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law;

(v) transfer of an interest in you, this Agreement or the Restaurant, in the event of your death or the death of one of your owners, by will, declaration of or transfer in trust or under the laws of intestate succession; or

(vi) pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Restaurant or your transfer, surrender or loss of possession, control or management of the Restaurant.

14.3. **Conditions for Approval of Transfer**. If you (and your owners) are in full compliance with this Agreement, then subject to the other provisions of this Section, we will approve a transfer that meets all the applicable requirements of this Section. The proposed transferee and its direct and indirect owners must be individuals of good character and otherwise meet our then applicable standards for BURGER 21® Restaurant franchisees. A transfer of ownership, possession or control of the Restaurant may be made only in conjunction with a transfer of this Agreement. If the transfer is of this Agreement or a controlling interest in you, or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(a) the transferee has sufficient business experience, aptitude and financial resources to operate the Restaurant;

(b) you have paid all Royalties, Advertising Fund contributions, amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;

(c) the transferee (or its owners) have agreed to complete our standard training program, at their expense;

(d) the transferee has agreed to be bound by all of the terms and conditions of this Agreement;

(e) the transferee has entered into our then-current form of Franchise Agreement for a term ending on the expiration date of this Agreement and requiring no initial franchise fee;

(f) the transferee agrees to upgrade the Restaurant to conform to our then-current standards and specifications;

(g) you or the transferee pay us a transfer fee equal to $7,500. However, the transfer fee will be reduced to $5,000 if the transferee is an existing franchisee;

(h) you (and your transferring owners) have signed a general release, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents;

(i) we have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the Restaurant;

(j) if you or your owners finance any part of the sale price of the transferred interest, you and/or your owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your owners have reserved in the Restaurant are subordinate to the transferee's obligation to pay Royalties, Advertising Fund contributions and other amounts due to us and otherwise to comply with this Agreement;

(k) you and your transferring owners (and your and your owners' spouses and children) have signed a non-competition covenant in favor of us and the transferee agreeing to be bound, commencing on the effective date of the transfer, by the restrictions contained in this Agreement; and

(l) you and your transferring owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other BURGER 21® Restaurants you own and operate) identify yourself or themselves or any business as a current or former BURGER 21® Restaurant, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a BURGER 21® Restaurant in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us.

**14.4. <u>Transfer to a Business Entity</u>.** If you are in full compliance with this Agreement, you may transfer this Agreement to a Business Entity that conducts no business other than the Restaurant and, if applicable, other BURGER 21® Restaurant so long as you own, control and have the right to vote 51% or more of its issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement. All other owners of 10% or more of your equity interests are subject to our approval. The organizational or governing documents of the Business Entity must recite that the issuance and transfer of any ownership interests in the Business Entity are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interests in the Business Entity must bear a legend referring to the restrictions of this Agreement. As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we may require (in addition to the other requirements we have the right to impose) that the proposed owner sign an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of, all of the your obligations under this Agreement.

**14.5. <u>Transfer Upon Death or Disability</u>.** Upon your death or disability or, if you are a Business Entity, the death or disability of the owner of a controlling interest in you, we may require you (or such owner's executor, administrator, conservator, guardian or other personal representative) to transfer your interest in this Agreement (or such owner's interest in you) to a third party. Such disposition (including, without limitation, transfer by bequest or inheritance) must be completed within the time we designate, not less than one month but not more than 6 months from the date of death or disability. Such disposition will be subject to all of the terms and conditions applicable to transfers contained in this Section. A failure to transfer your interest in this Agreement or the ownership interest in you within this period of time constitutes a breach of this Agreement. For purposes of this Agreement, the term "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a controlling interest in you from managing and operating the Restaurant.

**14.6. <u>Operation Upon Death or Disability</u>.** If, upon your death or disability or the death or disability of the owner of a controlling interest in you, the Restaurant is not being managed by a trained manager, your or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a manager to operate the Restaurant. Such manager will be required to complete training at your expense. Pending the appointment of a manager as provided above or if, in our judgment, the Restaurant is not being managed properly any time after your death or disability or after the death or disability of the owner of a controlling interest in you, we have the right, but not the obligation, to appoint a manager for the Restaurant. All funds from the operation of the Restaurant during the management by our appointed manager will be kept in a separate account, and all expenses of the Restaurant, including compensation, other costs and travel and living expenses of our manager, will be charged to this account. We also have the right to charge a management fee equal to 5% of Gross Sales (in addition to the Royalty, Advertising Contributions and other fees payable under this Agreement) during the period that our appointed manager manages the Restaurant. Operation of the Restaurant during any such period will be on your behalf, provided that we only have a duty to utilize our reasonable efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by the Restaurant or to any of your creditors for any products, materials, supplies or services the Restaurant purchases during any period it is managed by our appointed manager. The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you, or your owner, or manager from supervising the Restaurant's management and operation.

**14.7. <u>Effect of Consent to Transfer</u>.** Our consent to a transfer of this Agreement and the Restaurant or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Restaurant or transferee or a waiver of any claims we may have against you (or your owners) or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

**14.8. <u>Our Right of First Refusal</u>.** If you (or any of your owners) at any time determine to sell, assign or transfer for consideration an interest in this Agreement and the Restaurant or an ownership interest in you, you (or such owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and all beneficial owners of any corporate or limited liability company offeror and all general and limited partners of any partnership offeror and, in the case of a publicly-held corporation or limited partnership, copies of the most current annual and quarterly reports and Form 10K) and within 5 days of receipt submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be denominated in a dollar amount. The offer must apply only to an interest in you or in this Agreement and the Restaurant and may not include an offer to purchase any of your (or your owners') other property or rights. However, if the offeror proposes to buy any other property or rights from you (or your owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your owners) for the interest in you or in this Agreement and the Restaurant must reflect the bona fide price offered and not reflect any value for any other property or rights.

We have the right, exercisable by written notice delivered to you or your selling owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that:

(a) we may substitute cash for any form of payment proposed in such offer (with a discounted amount if an interest rate will be charged on any deferred payments);

(b) our credit will be deemed equal to the credit of any proposed purchaser;

(c) we will have not less than 30 days after giving notice of our election to purchase to prepare for closing; and

(d) we are entitled to receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

(e) ownership and condition of and title to stock or other forms of ownership interest and/or assets;

(f) liens and encumbrances relating to the stock or other ownership interest and/or assets; and

(g) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained this Agreement. You and your selling owner(s) further agree that you and they will, during this same time period, abide by the restrictions of this Agreement.

If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer, provided that, if the sale to such purchaser is not completed within 120 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of such 120 day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

## 14.9. Buyout Option.

(a) **Triggering Event**: We, or our designee, may purchase all of the assets of your Restaurant and the rights and interests you have under this Agreement, at our option, if we experience a Triggering Event. A **"Triggering Event"** means the sale of all or substantially all of our assets to an unaffiliated third party, the sale or exchange of more than 50% of our total issued and outstanding equity securities to an unaffiliated third party, a merger or consolidation of us with or into an unaffiliated third party in which neither we nor our affiliates obtain or maintain a controlling voting interest, or the effectiveness of a registration statement for the initial public offering of our equity securities.

(b) **Purchase Price Form:** If we exercise our option to pursuant to a Triggering Event other than an initial public offering, the purchase price will be paid to you in the same form or type of consideration, and upon the same terms, as we or our shareholders receive in the Triggering Event transaction. If the Triggering Event is an initial public offering, at our option the purchase price will be paid to you either in cash or stock valued at the initial public offering price.

(c) **Purchase Price Amount:** The amount of the purchase price will be a multiple of your EBITDA.

Your **"EBITDA"** means revenues from your Restaurant *less* all expenses (other than interest, income taxes, depreciation and amortization) properly attributable to such revenues in accordance with generally accepted accounting principle applied in the same manner as applied in our own financial statements with respect to our business during our fiscal year last ended before the Triggering Event. The multiple of your EBITDA you will receive will be equal to 2/3 of the multiple of our B21/EBITDA represented by the purchase price received or to be received by us as a result of the Triggering Event. Our **"B21/EBITDA"** means our total consolidated earnings before interest, income taxes, depreciation and amortization determined in accordance with generally accepted accounting principle. We will calculate both your EBITDA and our B21/EBITDA for the same twelve-month period which will not be earlier than our fiscal year last ended before we enter into the definitive purchase and sale agreement or underwriting agreement regarding the Triggering Event.

(d) **Examples of Purchase Price Calculations:** For example, if our shareholders sell 60% of our capital stock to an unaffiliated third party for $1,200 in cash, when our latest fiscal year B21/EBITDA was $200 and your EBITDA for the same year was $50 you would receive a purchase price of $333.33 payable in cash. We calculated the purchase price as follows: First, we calculated the value ($2,000) of $100 of our capital stock by dividing $1,200 by 0.60. We then divided that number by $200 to arrive at a 10 multiple for our company. We then multiplied your EBITDA by 2/3 of that multiple (10 x 2/3 = 6.67 x $50 = $333.33). If, rather than all cash, our shareholders received 1/3 of the purchase price in cash with the balance in form of an installment note, you would receive $111.11 in cash with the balance in the same form of installment note from the same note issuer.

As another example, if rather than a sale of stock by our shareholder the Triggering Event involves an initial public offering by us of 1,000 shares of capital stock, comprising 60% of the outstanding shares immediately following the offering, for a total offering price of $3,000 ($3 per share) for all 1,000 shares issued in the offering, when our latest fiscal year B21/EBITDA was the same $200 and your related EBITDA was the same $50, you would receive a purchase price of $333.33 payable, at your option, either in cash or 111.11 shares of capital stock. We calculated that purchase prices as follows, First, we calculated the value (42,000) of 100% of our outstanding capital stock immediately before the initial public offering, based on the public offering price (value of company stock pre initial public offering = 40% of company value immediately after offering = 40%

of (3,000 divided by 0.60) = 0.40 x $5,000 = $2,000). The rest of the calculation is the same as the calculation in the first example, above.

(e) **Procedural Aspects:** We will notify you of our intention to exercise our purchase option not later than 60 days following our entering into the definitive purchase and sale agreement or the underwriting agreement relating to the Triggering Event. Unless the Triggering Event is not completed or closed, in which our notice and election to exercise our purchase option will not be effective, the closing for such acquisition will take place at the completion or closing of the Triggering Event or, at our option, within 180 days thereafter. You will have all of your rights and benefits, and all of your obligations, under this Agreement until we (or our designee) have consummated the acquisition pursuant to our purchase option. The acquisition will be in the form of an assignment and relinquishment of your rights under this Agreement and a transfer of substantially all of the assets of your Restaurant and we will not assume any of your obligations or liabilities whatsoever except for leases for the premises of the Restaurant that accrue after closing. Moreover, your rights must be transferred to us free and clear of all liens, pledges, security interests and encumbrances. We will be entitled to all customary representations and warranties in that regard, in such form and content as we reasonably require. You will cooperate with us in preparing for the sale of such rights, any transition in ownership, and to accurately calculate the purchase price.

## 15. SUCCESSOR TERMS.

**15.1. Acquisition**. Upon expiration of this Agreement, subject to the conditions of this Section, you will have the right to acquire a successor franchise to operate the a BURGER 21® Restaurant for an additional 5-year period on the terms and conditions of the franchise agreement we are then using in granting franchises for BURGER 21® Restaurants, if you (and each of your owners) have substantially complied with this Agreement during its term, and either:

(a) you maintain possession of and agree to remodel and/or expand the Restaurant, add or replace improvements, equipment and signs and otherwise modify the Restaurant as we require to bring it into compliance with specifications and standards then applicable for BURGER 21® Restaurants; or

(b) if you are unable to maintain possession of the Site, or if in our judgment the Restaurant should be relocated, you secure substitute premises we approve, develop such premises in compliance with specifications and standards then applicable for BURGER 21® Restaurants and continue to operate the Restaurant at the Site until operations are transferred to the substitute premises.

**15.2. Grant**. You must give us written notice of your election to acquire a successor franchise no earlier than 9 months, and no later than 6 months, before the end of the Term. We will respond (“**Response Notice**”), within 60 days after we receive your notice, of our decision, either:

(a) to grant you a successor franchise;

(b) to grant you a successor franchise on the condition that deficiencies of the Restaurant, or in your operation of the Restaurant, are corrected; or

(c) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term.

If applicable, our Response Notice will:

(a) describe the remodeling and/or expansion of the Restaurant and other improvements or modifications required to bring the Restaurant into compliance with then applicable specifications and standards for BURGER 21® Restaurants; and

(b) state the actions you must take to correct operating deficiencies and the time period in which such deficiencies must be corrected.

If we elect not to grant a successor franchise, the Response Notice will describe the reasons for our decision. Your right to acquire a successor franchise is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in the Response Notice.

In our discretion, we may extend the term of this Agreement for such period of time as we deem necessary in order to provide you with either reasonable time to correct deficiencies or 90 days' notice of our refusal to grant a successor franchise.

**15.3. Agreements/Releases.** If you satisfy all of the other conditions to the grant of a successor franchise, you and your owners agree to sign the form of franchise agreement and any ancillary agreements we are then customarily using in connection with the grant of successor franchises for BURGER 21® Restaurants (collectively, the "**Successor Franchise Agreement**"). You and your owners further agree to sign general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns. Failure by you or your owners to sign the Successor Franchise Agreement and general releases and deliver them to us for acceptance and signature within 60 days after their delivery to you will be deemed an election not to acquire a successor franchise.

**15.4. Training and Refresher Programs.** Our grant of a successor franchise is also conditioned on the satisfactory completion by you (or your owners) of any new training and refresher programs as we may reasonably require.

**15.5. Successor Franchise Fee.** Our grant of a successor franchise is contingent on your payment to us of a successor franchise fee of ¼ of our then-current initial franchise fee. The successor franchise fee is due upon execution of the Successor Franchise Agreement.

**15.6. Subsequent Successor Franchises.** The fees and other conditions for any later granting of subsequent successor franchises will be governed by the successor franchise agreement (as described above) and which will, itself, provide for terms and conditions for you to obtain a subsequent successor franchise.

## 16. TERMINATION OF AGREEMENT.

**16.1. On Notice.** We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(a) you (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the Franchise;

(b) you fail to begin operating the Restaurant within 12 months of the Agreement Effective Date;

(c) your, or your owners, failure to successfully complete required initial or other training to our satisfaction;

(d) you abandon or fail to actively operate the Restaurant for 5 or more consecutive business days, unless the Restaurant has been closed for a purpose we have approved or because of casualty or government order;

(e) you surrender or transfer control of the operation of the Restaurant without our prior written consent;

(f) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious crime or offense;

(g) you (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of the Restaurant or another BURGER 21® Restaurants or the goodwill associated with the Marks;

(h) you understate Gross Sales by 5% or more;

(i) you (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or the Restaurant;

(j) in the event of your death or disability or the death or disability of the owner of a controlling interest in you, this Agreement or such owner's interest in you is not assigned as required under this Agreement;

(k) you lose the right to possession of the Site;

(l) you (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manual in violation of this Agreement;

(m) you violate any health, safety or sanitation law, ordinance or regulation and do not begin to cure the noncompliance or violation immediately, and correct such noncompliance or violation within 24 hours, after written notice is delivered to you;

(n) you fail to make payments of any amounts due to us and do not correct such failure within 30 days after written notice of such failure is delivered to you;

(o) you fail to pay when due any federal or state income, service, sales or other taxes due on the operations of the Restaurant, the landlord for your lease, or to vendors or suppliers we designate or have approved, within 30 days or such other applicable grace or cure period, unless you are in good faith contesting your liability for such taxes;

(p) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you;

(q) you (or any of your owners) fail on 3 or more separate occasions within any consecutive 12-month period or on 10 occasions during the Term, to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us, or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you; or

(r) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; the Restaurant is attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you or the Restaurant is not vacated within 30 days following the entry of such order.

**16.2. <u>After Notice</u>.** We may also terminate this Agreement after we notify you of our intention to do so because of the occurrence of any of the following events and your failure to cure it within 30 days of our notice:

(a) you or a trained manager is not present at the Restaurant during all open hours;

(b) failure to keep the Restaurant open during the required hours;

(c) purchasing or leasing any product or service from an unapproved supplier;

(d) failure to participate in a Co-op;

(e) failure to pay taxes and assessments;

(f) failure to obtain and maintain required permits

(g) if you are a Business Entity, failure to maintain active status in your state of organization;

(h) failure to promptly pay any amounts due us or your suppliers including landlords or lessors;

(i) failure to timely make required reports;

(j) failure to maintain sufficient liquid funds to pay amounts to us via electronic transfer;

(k) you violate any other provision of this Agreement;

(l) failure to maintain any standards or procedures contained in the Operations Manual or other Manuals, memos, communications or notices we have disseminated or published;

(m) continued violation of any law, ordinance, rule or regulation of a governmental agency; or

(n) failure to obtain any approvals or consents required by this Agreement.

**16.3. <u>Management of Restaurant by Us</u>.** In addition to our right to terminate this Agreement, and not in lieu thereof, we may enter into the Restaurant and exercise complete authority with respect to the management thereof until such time as we determine that your default has been cured and you are complying with the requirements of this Agreement. You specifically agree that our designated representative may take control and manage the Restaurant in the event of any such default. If we assume the management of the Restaurant, you must pay us (in addition to the Royalty Fee) a management fee equal to 5% of the Restaurant's Gross Sales (the "**Management Fee**"), plus reimburse us for the full compensation paid to our representative so long as our representative shall be necessary and, in any event, until the default has been cured and you are complying with the terms of this Agreement. You acknowledge that the Management Fee shall be in addition to the Royalty Fee, Advertising Contributions, and any other fees due under this Agreement and shall be paid in accordance with the methods of payment set forth in Section 5 or as otherwise provided in this Agreement. If we assume the Restaurant's management, you acknowledge that we will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses or obligations the Restaurant incurs, or to any of your creditors for any supplies or services the Restaurant purchases, while we manage it.

## 17. RIGHTS AND OBLIGATIONS UPON TERMINATION.

**17.1. Payment of Amounts Owed To Us**. You agree to pay us within 15 days after the effective date of termination or expiration of this Agreement, or on such later date that the amounts due to us are determined, such Royalties, Advertising Fund contributions, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid.

**17.2. Gift Card Liability**. You will comply with the rules, requirements and guidelines established by our gift card vendor (which may be us or a third party) dealing with the handling and processing of gift cards when a Restaurant closes operations. These rules may be established in our Manual or in the rules, regulations and manuals of the gift card vendor that we utilize.

**17.3. Marks**. Upon the termination or expiration of this Agreement:

(a) you may not directly or indirectly at any time or in any manner (except with respect to other BURGER 21® Restaurants you own and operate) identify yourself or any business as a current or former BURGER 21® Restaurant, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark or other indicia of a BURGER 21® Restaurant in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that indicates or suggests a connection or association with us;

(b) you agree to take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(c) if we do not have or do not exercise an option to purchase the Restaurant, you agree to deliver to us within 30 days after, as applicable, the effective date of expiration of this Agreement or the Notification Date all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any Mark or otherwise identifying or relating to a BURGER 21® Restaurant and allow us, without liability to you or third parties, to remove all such items from the Restaurant;

(d) if we do not have or do not exercise an option to purchase the Restaurant, you agree that, after, as applicable, the effective date of expiration of this Agreement or the Notification Date, you will promptly and at your own expense make such alterations we specify to distinguish the Restaurant clearly from its former appearance and from other BURGER 21® Restaurants so as to prevent confusion by the public;

(e) if we do not have or do not exercise an option to purchase the Restaurant, you agree that, after, as applicable, the effective date of expiration of this Agreement or the Notification Date, you will notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, telecopy or other numbers and any regular, classified or other telephone directory listings associated with any Mark, authorize the transfer of such numbers and directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify; and

(f) you agree to furnish us, within 30 days after, as applicable, the effective date of expiration of this Agreement or the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations.

17.4. <u>Confidential Information</u>. You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Manual and any other confidential materials that we have given or provided access to you.

17.5. <u>Competitive Restrictions</u>. Upon our termination of this Agreement in accordance with its terms and conditions, or expiration of this Agreement (if we offer, but you elect not to acquire, a successor franchise):

(a) you and your owners agree that, for a period of 2 years commencing on the effective date of termination or expiration or the date on which a person restricted by this Section begins to comply with this Section, whichever is later, neither you nor any of your owners will have any direct or indirect interest (<u>e.g.</u>, through a spouse or child) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business operating:

(i) at the Site;

(ii) within 10 miles of the Site; or

(iii) within 10 miles of any other BURGER 21® Restaurant in operation on the later of the effective date of the termination or expiration

If any person restricted by this Section refuses voluntarily to comply with the foregoing obligations, the 2-year period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living.

17.6. **<u>Our Right to Purchase.</u>**

(a) **Exercise of Option.** Upon our termination of this Agreement in accordance with its terms and conditions or your termination of this Agreement without cause, we have the option, exercisable by giving written notice to you within 60 days from the date of such termination, to purchase the Restaurant from you, including the leasehold rights to the Site. (The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "**Notification Date**"). We have the unrestricted right to assign this option to purchase the Restaurant. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

(b) **Leasehold Rights**. You agree at our election:

(i) to assign your leasehold interest in the Site to us; or

(ii) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease.

(c) **Purchase Price.** The purchase price for the Restaurant will be its fair market value, determined in a manner consistent with reasonable depreciation of the Restaurant's equipment, signs, inventory, materials and supplies, provided that the Restaurant will be valued as an independent business and its value will not include any value for:

(i) the Franchise or any rights granted by this Agreement;

(ii) the Marks; or

(iii) participation in the network of BURGER 21® Restaurants.

The Restaurant's fair market value will include the goodwill you developed in the market of the Restaurant that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Site will also be considered in determining the Restaurant's fair market value.

We may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Restaurant's operation or that we have not approved as meeting standards for BURGER 21® Restaurant, and the purchase price will reflect such exclusions.

(d) **Appraisal.** If we and you are unable to agree on the Restaurant's fair market value, its fair market value will be determined by 3 independent appraisers who collectively will conduct one appraisal. We will appoint one appraiser, you will appoint one appraiser and the two party-appointed appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within 15 days after we notify you that we are exercising our option to purchase the Restaurant, and the two appraisers so chosen are obligated to appoint the third appraiser within 15 days after the date on which the last of the two party-appointed appraisers was appointed. You and we will bear the cost of our own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers. The appraisers are obligated to complete their appraisal within 30 days after the third appraiser's appointment.

The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price. We have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your owners owe to us or any amounts of rent you owe the landlord of the Site, or supplies or your creditors that we pay on your behalf in order to obtain lawful possession of the Site, any of your assets or to cover amounts you owe suppliers we do business with. At the closing, you agree to deliver instruments transferring to us:

(i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you; and

(ii) all licenses and permits of the Restaurant which may be assigned or transferred; and

(iii) the leasehold interest and improvements in the Site.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. You and your owners further agree to execute general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

**17.7. Continuing Obligations**. All of our and your (and your owners' and affiliates') obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. Examples include indemnification, payment, de-identification and dispute resolution provisions.

## 18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

**18.1. Independent Contractors**. You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, Restaurant personnel and others as the owner of the Restaurant under a franchise we have granted and to place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as we may require from time to time.

**18.2. No Liability for Acts of Other Party**. You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Restaurant's operation or the business you conduct pursuant to this Agreement.

**18.3. Taxes**. We will have no liability for any sales, use, alcohol surcharge, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or the Restaurant, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes are your responsibility.

**18.4. Indemnification**. You agree to indemnify, defend and hold harmless us, our affiliates and our respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any and all taxes described in this Agreement and any and all claims and liabilities directly or indirectly arising out of the Restaurant's operation (even if our negligence is alleged) or your breach of this Agreement. For purposes of this indemnification, "**claims**" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

## 19. ENFORCEMENT.

**19.1. Severability; Substitution of Valid Provisions**. Except as otherwise stated in this Agreement, each term of this Agreement, and any portion of any term, are severable. The remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; or (b) the taking of some other action not described in this Agreement; or (c) if any BURGER 21® System Standard is invalid or unenforceable. We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable. In such event, you will be bound by the modified provisions.

**19.2. Waivers**. We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; or (b) we do not insist on your strict compliance with the terms of this Agreement; or (c) if there develops a custom or practice which is at variance with the terms of this Agreement; or (d) if we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else.

**19.3. Limitation of Liability**. Neither of the parties will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from:

(a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof;

(b) acts of God;

(c) acts or omissions of a similar event or cause.

However, such delays or events do not excuse payments of amounts owed at any time.

**19.4. Approval and Consents**. Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. Except where expressly stated otherwise in this Agreement, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

**19.5. Waiver of Punitive Damages**. EXCEPT FOR YOUR OBLIGATIONS TO INDEMNIFY US AND CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION, YOU AND WE EACH WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

**19.6. Limitations of Claims**. ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP AMONG YOU AND US MUST BE MADE BY WRITTEN

NOTICE TO THE OTHER PARTY WITHIN ONE YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN); EXCEPT FOR CLAIMS ARISING FROM: (A) UNDER-REPORTING OF GROSS SALES; (B) UNDER-PAYMENT OF AMOUNTS OWED TO US OR OUR AFFILIATES; (C) CLAIMS FOR INDEMNIFICATION; AND/OR (D) UNAUTHORIZED USE OF THE MARKS. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

**19.7. <u>Governing Law</u>.** EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §1051 AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE FRANCHISE ARE GOVERNED BY FLORIDA LAW (WITHOUT REGARD TO ITS CONFLICTS OF LAW PRINCIPLES), EXCLUDING ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP BETWEEN A FRANCHISOR AND FRANCHISE OWNER, UNLESS THE JURISDICTIONAL REQUIREMENTS OF SUCH LAWS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. ALL MATTERS RELATING TO ARBITRATION ARE GOVERNED BY THE FEDERAL ARBITRATION ACT. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

**19.8. <u>Jurisdiction</u>.** YOU AND WE CONSENT AND IRREVOCABLY SUBMIT TO THE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN THE COUNTY IN WHICH OUR PRINCIPAL BUSINESS OFFICE IS LOCATED AND WAIVE ANY OBJECTION TO THE JURISDICTION AND VENUE OF SUCH COURTS. THE EXCLUSIVE CHOICE OF JURISDICTION DOES NOT PRECLUDE THE BRINGING OF ANY ACTION BY THE PARTIES OR THE ENFORCEMENT BY THE PARTIES IN ANY JUDGMENT OBTAINED IN ANY SUCH JURISDICTION, IN ANY OTHER APPROPRIATE JURISDICTION OR THE RIGHT OF THE PARTIES TO CONFIRM OR ENFORCE ANY ARBITRATION AWARD IN ANY APPROPRIATE JURISDICTION.

**19.9. <u>Waiver of Jury Trial</u>.** YOU AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US.

**19.10. <u>Cumulative Remedies</u>.** The rights and remedies provided in this Agreement are cumulative and neither you nor we will be prohibited from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

**19.11. <u>Costs and Attorneys' Fees</u>.** If a claim for amounts owed by you to us or any of our affiliates is asserted in any legal or arbitration proceeding or if either you or we are required to enforce this Agreement in a judicial or arbitration proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees. Attorneys' fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement.

**19.12. <u>Binding Effect</u>.** This Agreement is binding on and will inure to the benefit of our successors and assigns. Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators.

**19.13. <u>Entire Agreement</u>.** This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us. There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement, except for the information contained in our Franchise Disclosure Document. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

**19.14.** **No Liability to Others; No Other Beneficiaries**. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. Except as specifically described in this Agreement, no other party has any rights because of this Agreement.

**19.15.** **Construction**. The headings of the sections are for convenience only. If two or more persons are at any time franchise owners hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. This Agreement may be signed in multiple copies, each of which will be an original. "**A or B**" means "**A**" or "**B**" or both.

**19.16.** **Certain Definitions**. The term "**family member**" refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses. The term "**affiliate**" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms "**franchisee, franchise owner, you and your**" are applicable to one or more persons, a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term "**person**" includes individuals or Business Entities. The term "**section**" refers to a section or subsection of this Agreement. The word "**control**" means the power to direct or cause the direction of management and policies. The word "**owner**" means any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), including any person who has a direct or indirect interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets.

**19.17.** **Timing is of the Essence**. It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words "**from**" and "**commencing on**" (and the like) mean "**from and including**"; and the words "**to,**" "**until**" and "**ending on**" (and the like) mean "**to but excluding.**" Indications of time of day mean Tampa, Florida time.

## 20. DISPUTE RESOLUTION.

**20.1.** **Mediation**. During the term of this Agreement, certain disputes may arise between you and us that may be resolvable through mediation. To facilitate such resolution, you and we agree that each party must, before commencing any arbitration proceeding, submit the dispute for non-binding arbitration at a mutually agreeable location (if you and we cannot agree on a location, the mediation will be conducted at our headquarters) to one mediator, appointed under the American Arbitration Association's Commercial Mediation Rules. The mediator will conduct a mediation in accordance with such rules. You and we agree that any statements made by either you or us in any such mediation proceeding will not be admissible in any subsequent arbitration or other legal proceeding. Each party will bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate. Nevertheless, both you and we have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. However, the parties must immediately and contemporaneously submit the dispute for non-binding mediation. If any dispute between the parties cannot be resolved through mediation within 60 days following the appointment of a mediator, the parties must submit the dispute to arbitration subject to the following terms and conditions.

**20.2.** **Agreement to Arbitrate**. Except for claims (as defined below) related to or based on the marks (which at our sole option may be submitted to any court of competent jurisdiction) and except as otherwise expressly provided by section 20.4 of this agreement, any litigation, claim, dispute, suit, action, controversy, proceeding or otherwise ("**Dispute**") between or involving you and us (and/or involving you and/or any claim against or involving any of our or our affiliates' shareholders, directors, partners, officers, employees, agents, attorneys, accountants, affiliates, guarantors or otherwise), which are not resolved within 45 days of notice from either you or we to the other, will be submitted to arbitration to the office of the American Arbitration Association closest to our headquarters. The arbitration will be conducted by the American Arbitration Association pursuant to its commercial arbitration rules. All matters relating to arbitration will be governed by the federal arbitration act (9 U.S.C. §§1 et seq.) And not by any state arbitration law. The parties to any arbitration will execute an appropriate confidentiality agreement, excepting only such disclosures and filings as are required by law.

**20.3. Place and Procedure**. The arbitration proceedings will be conducted at a location in the metropolitan area in which our headquarters is located. Any dispute and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Any such arbitration proceeding will not be consolidated with any other arbitration proceeding involving any other person, except for disputes involving affiliates of the parties to such arbitration. The parties agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by rule 13 of the federal rules of civil procedure) within the same proceeding as the dispute to which it relates. Any such dispute which is not submitted or filed in such proceeding will be barred.

**20.4. Awards and Decisions**. The proceedings will be heard by one arbitrator. The arbitrator will have the right to award any relief which he deems proper in the circumstances, including, for example, money damages (with interest on unpaid amounts from their due date(s)), specific performance, temporary and/or permanent injunctive relief, and reimbursement of attorneys' fees and related costs to the prevailing party. The arbitrator will not have the authority to award exemplary or punitive damages except as otherwise permitted by this agreement, nor the right to declare any mark generic or otherwise invalid. You and we agree to be bound by the provisions of any limitations or the time on which claims must be brought under applicable law or under this agreement, whichever expires earlier. The award and decision of the arbitrator will be conclusive and binding and judgment on the award may be entered in any court of competent jurisdiction. The parties acknowledge and agree that any arbitration award may be enforced against either or both of them in a court of competent jurisdiction and each waives any right to contest the validity or enforceability of such award. Without limiting the foregoing, the parties will be entitled in any such arbitration proceeding to the entry of an order by a court of competent jurisdiction pursuant to an opinion of the arbitrator for specific performance of any of the requirements of this agreement. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and non-appealable.

**20.5. Specific Performance**. Nothing in this agreement will prevent either you or us from obtaining temporary restraining orders and temporary or preliminary injunctive relief in a court of competent jurisdiction. However, you and we must contemporaneously submit the dispute for arbitration on the merits.

**20.6. Third Parties**. The arbitration provisions of this agreement are intended to benefit and bind certain third party non-signatories, and all of yours and our principal owners and affiliates.

**20.7. Survival**. This provision continues in full force and effect subsequent to and notwithstanding the expiration or termination of this agreement for any reason.

## 21. NOTICES.

**21.1. Notices**. All written notices and reports permitted or required under this Agreement or by the Manuals will be deemed delivered:

(a) at the time delivered by hand;

(b) one business day after transmission by facsimile, telecopy or other electronic system (including e-mail);

(c) 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or

(d) 3 business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

All such notices must be addressed to the parties as follows:

If to Us: Burger 21 International, Inc.
8810 Twin Lakes Boulevard
Tampa, Florida 33614
Attention: Franchise Administration

If to You: ________________________________
________________________________
________________________________
Attention:_________________________

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or properly placed in the U.S. mail and postmarked by postal authorities at least 3 business days prior thereto, or for which the receipt from the commercial carrier service is not dated at least 2 business days prior thereto) will be deemed delinquent.

**21.2.** **Electronic Mail**. You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates (**"Official Senders"**) to you during the term of this Agreement. You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

## 22. COMPLIANCE WITH ANTI-TERRORISM LAWS.

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. **"Anti-Terrorism Laws"** mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, constitutes good cause for immediate termination of this Agreement.

Intending to be bound, you and we sign and deliver this Agreement in 2 counterparts on the Agreement Effective Date.

| "US": | "YOU": |
|---|---|
| **BURGER 21 INTERNATIONAL, INC.** | ______________________________<br>[*Business Entity Name*] |
| By:______________________________ | By:______________________________ |
| Name:____________________________ | Name:____________________________ |
| Title:_____________________________ | Title:_____________________________ |
| Date:_____________________________ | Date:_____________________________ |

**EXHIBIT "A"**

**TARGET AND TRADE AREAS**

You must locate the Premises of your Restaurant in the Target Area which is as follows:

____________________________________________________________
____________________________________________________________
____________________________________________________________

___ Check if map attached

*You acknowledge that the Target Area is delineated solely for the purpose of establishing a geographic area within which you will secure an approved site for the BURGER 21® Restaurant and for no other purpose. The Target Area does not grant to you any promise of exclusivity or territorial protection.*

The Trade Area of your Restaurant is as follows:

____________________________________________________________
____________________________________________________________
____________________________________________________________

___ Check if map attached

Initials: _____/Us _____/You
For when Trade Area is designated.

| | |
|---|---|
| **BURGER 21 INTERNATIONAL, INC.** | _________________________<br>[*Business Entity Name*] |
| By:____________________ | By:____________________ |
| Name:__________________ | Name:__________________ |
| Title:___________________ | Title:___________________ |
| Date:___________________ | Date:___________________ |

**MAP OF TARGET AND/OR TRADE AREAS**

**EXHIBIT "B"**

**PROPRIETARY BURGER 21® RESTAURANT**
**EQUIPMENT, PRODUCTS AND SUPPLIES**

(a) **Signage** – Any type of signage, interior or exterior, bearing in any form BURGER 21® logo, name or insignia.

(b) **Artwork** – BURGER 21® Proprietary Artwork Package including vinyl B-ism wall treatments.

(c) **Burger Presses and Molds** – Any burger molds and presses used to shape our burger patties.

(d) **Branded Items, Retail Merchandise, Menus and Point of Sale Materials** – Any item bearing in any form BURGER 21® or associated logo, name or insignia, including, without limitation: retail merchandise; menus; table tents; napkins; and drinkware.

(e) **Hardware, Software and Customer Database** – Any software or hardware not available to the general public, especially including those items which are used by or have been created to be used by or communicate within BURGER 21® Franchise System. Any form of database, including the reservation book(s), which contain customer names and/or other miscellaneous customer information.

(f) **Operating Manuals, Recipes, Documents and Files** – Any manual, document or otherwise related form which is used by BURGER 21® Franchise system, including all BURGER 21® Standards Forms, files (including electronic files), Brand Standards Manual, Social Media Policy Manual, Quality Certification Inspections, InMoment Survey Reports, All Training Manuals, Kitchen Reference Manual, Operations Manual, and other operational manuals, internal releases and newsletters.

(g) **Trade Dress** – Any item of clothing, including aprons, bearing in any form BURGER 21® logo, name or insignia.

(h) **Products** – Any product that is supplied to the franchisee and not otherwise available to the general public. This also includes the containers and labels for BURGER 21® To-Go items.

Type in Location here

# EXHIBIT "C"

## PRE-OPENING AGREEMENT

This agreement has been put in place to ensure that we are setting your restaurant up for success. Our experience has shown that when all of these items have been completed prior to the training team arriving, your team members receive better training, can assist with producing better guest experiences, and may positively affect opening sales.

By signing this agreement, we acknowledge and agree that if **ALL** the items listed within this agreement are not in place at least **9 days prior to the training team arriving**, we are aware that the opening of said restaurant will be delayed. If the restaurant opening is delayed, we are responsible for the associated costs incurred as a result of the delay included but not limited to the associated costs of the redeployment of the training team (such as flight change fees, etc.). *If the items below have not been completed by the date agreed upon, my signature below authorizes ____________________________ (an on-location representative) to make arrangements to secure said items and/or complete said task. I agree to reimburse Burger 21 International, if applicable, any costs incurred in connection with arrangements to secure said items and/or complete said tasks.*

The following tasks must be completed at least 9 days prior in order for the Operations Trainer and the training team to be released, unless otherwise agreed to in writing by Burger 21 International and the Franchisee.

**In order to secure the arrival of the Operations Trainer and training team to your location, please sign, date and email this agreement to your assigned Burger 21 International, Inc. opening training coordinator for your location no later than the Thursday prior to the Operations Trainers' scheduled arrival to the restaurant.**

***B. Clerical:*** ***Date task to be completed by:***

| | |
|---|---|
| Pre-opening conference call with Operations Support Trainer | |
| Certificate of occupancy | |
| Liquor License | |
| Health Department Certificate | |
| Fire Certificate | |
| Any Applicable Local Permits | |
| All minimum levels of staff hiring have been met, including managers | |
| All staff paperwork completed (I-9, W4, Non-compete, Application) | |
| ServeSafe training for managers (if applicable) | |
| Food Handler's Certificate for ALL management | |
| Store specific employee handbook completed (Store specific policies) | |
| All menus finalized, proofed, printed and on-site including table tents | |
| Uniforms on site | |
| Food safety program/manuals for team member on site (if applicable) | |
| All systems operating and checked (POS, Syrus, phone lines, internet, internal network, office computer, cable), POS printers (kitchen/taker, shaker), Expo and Grill screens. | |
| All ACH accounts set up through Burger 21 International and applicable vendors | |
| Friends and Family invite list and invitations finalized and ready to be mailed | |
| InMoment program set up | |
| Gift Certificates and online ordering set up and tested | |

Type in Location here

***B.Spotless/B.Delicious:*** ***Date task to be completed by:***

| | |
|---|---|
| All core beverage program items in house and stocked/labeled | |
| Restaurant is cleaned and organized (Guest ready) | |
| All storage, walk in, freezer, office shelving up and in place | |
| All small wares washed and placed in appropriate labeled area | |
| All required food items in house stocked and placed in appropriate labeled area | |
| Ordering template set up for produce, foodservice, liquor, beer and wine | |
| Robot Coupe (Required product: R2 Dicer) | |
| Robot Coupe Stick Blender | |
| Construction punch list completed | |

Intending to be bound, the parties sign below:

**FRANCHISEE:**

______________________________
[Name of Corporate Entity]

By:___________________________
Name:_________________________
Title:__________________________
Date:__________________________

**FRANCHISOR:**

**Burger 21 International, Inc.**

By:___________________________
Name:_________________________
Title:__________________________
Date:__________________________

By:___________________________
Name:_________________________
Title:__________________________
Date:__________________________

By:___________________________
Name:_________________________
Title:__________________________
Date:__________________________

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**

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**FORM OF**

**AREA DEVELOPMENT AGREEMENT**

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**BURGER 21®**
**AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (the "**Agreement**") is effective as of _______________, 20___ (the "**Agreement Date**"). The parties to this Agreement are **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation, with its principal business address at 8810 Twin Lakes Road, Tampa, Florida 33614 (referred to in this Agreement as "**we**," "**us**" or "**our**"), and ____________________________________, whose principal business address is ______________________________________ (referred to in this Agreement as "**you**," "**your**" or "**Developer**").

1. **INTRODUCTION**

1.1. **The BURGER 21® System**. We and our affiliates have expended considerable time and effort in developing a fast casual, better burger concept, that serves lunch and dinner and features 21 chef inspired burgers, plus hot dogs, salads, fries, signature shakes, desserts, a sauce bar and beer and wine (a "**BURGER 21® Restaurant**" or "**Restaurant**"). BURGER 21® Restaurants operate under the service mark and trade name "**BURGER 21®**" and other associated logos, designs, artwork and trade dress, trademarks, service marks, commercial symbols, and e-names, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, service marks, e-names and commercial symbols in conjunction with the operation of BURGER 21® Restaurants (collectively, the "**Marks**") and under distinctive business formats, methods, procedures, designs, layouts, signs, artwork, music, equipment, menus, recipes, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the "**System**"). We grant to persons who meet our qualifications and are willing to undertake the investment and effort, a Franchise to own and operate a BURGER 21® Restaurant offering the products and services we authorize and approve and utilizing the Marks and the System. You have applied for a Franchise to own and operate a BURGER 21® Restaurant.

1.2. **Intention and Purposes**. Before or simultaneously with signing this Agreement, you and we (or your Controlled Affiliate, as defined below) signed or are signing a Franchise Agreement dated as of _____________, 20__, pursuant to which you (or such Controlled Affiliate) will operate a BURGER 21® Restaurant (the "**Current Franchise Agreement**"). You and we are signing this Agreement because you would like the right to develop and operate a number of BURGER 21® Restaurants within a certain geographic area over a certain period of time, and we are willing to grant you those rights if you comply with this Agreement's terms and conditions.

1.3. **Business Organization**. If you are at any time a business organization ("**Business Entity**") (like a corporation, limited liability company or partnership) you agree and represent that:

(a) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(b) your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(c) the Principal Owners Statement will completely and accurately describe all of your owners and their interests in you. A copy of our current form of Principal Owners Statement is attached to the Franchise Disclosure Document;

(d) you and your owners agree to revise the Principal Owners Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes may be made without our approval);

(e) each of your owners during the term of this Agreement will sign and deliver to us our standard form of Principal Owners Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Principal Owners Guaranty is attached to the Franchise Disclosure Document;

(f) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements). Your organizational structure and governing documents must be acceptable to us and contain terms and provisions to prevent management deadlocks and resolve disputes among your shareholders or owners with minimal disruption to business operations; and

(g) During the Term, one of your owners must maintain a controlling ownership interest in the Business Entity, with authority to make operational decisions that are binding on you.

## 2. TERM

2.1. **Term of Agreement**. This Agreement commences on the Agreement Date and expires on the earlier of (the "**Term**"): (i) the last day of the Development Schedule; or (ii) opening of the last BURGER 21® Restaurant specified in the Development Schedule. This Agreement may be terminated before it expires in accordance with its terms. Upon expiration or termination of this Agreement, you will **not** have any further rights to acquire franchises to operate BURGER 21® Restaurants; but you may continue to develop, own and operate all BURGER 21® Restaurants then subject to fully executed franchise agreements (the "**Franchise Agreement(s)**") with us in accordance with their terms.

## 3. DEVELOPMENT RIGHTS AND OBLIGATIONS

3.1. **Development Rights**. If you are in full compliance with all of the provisions of this Agreement and all of the Franchise Agreements, then during the term of this Agreement, we will grant to you the right to develop, own and operate ___ new Burger 21® Restaurants (including the Restaurant to be developed under the Current Franchise Agreement) to be located within the following Development Area which is defined as the entire territory encompassed by: __________

______________________________________________________________

___________ in the State of ___________. If the Development Area is identified by city or other political subdivisions, political boundaries will be considered fixed as of the Agreement Date, notwithstanding any political reorganization or change to the boundaries. The Development Area is depicted on the map attached to this Agreement as Exhibit "A." However, if there is an inconsistency between the language in this text and the attached map, the language in this text of this Agreement will control. All street boundaries will be deemed to end at the street centerline unless otherwise specified. Pursuant to these development rights, you must open the Restaurants according to the mandatory Development Schedule described in Exhibit "B" within the Development Area. In this Agreement, the term "**Controlled Affiliate**" means any initial business entity of which you or one or more of your majority owners owns at least 51% of the total authorized ownership interests, as long as you or such owner(s) have the right to control the business entity's management and policies.

3.2. **Exclusivity**. If you and your Controlled Affiliates are in full compliance with this Agreement and all other agreements between you (or any of the Controlled Affiliates) and us (or any of our affiliates), including, without limitation, the Current Franchise Agreement and all other franchise agreements then in effect between you (or any Controlled Affiliate) and us for the operation of BURGER 21® Restaurants, then during this Agreement's term only, except as otherwise provided in this Agreement, neither we nor our affiliates will operate, or authorize any other party to operate, a BURGER 21® Restaurant, the physical premises of which are located within the Development Area. You acknowledge and agree that we may exercise any and all of the rights that we now reserve in the Current Franchise Agreement (and related documents) including in Section 2.5 of the Current Franchise Agreement, which provision is incorporated herein by this reference. After this Agreement expires or is terminated, regardless of the reason, we and our affiliates may engage, and allow others to engage, in any activities we desire within and outside the Development Area, without any restrictions whatsoever, subject only to your (or any Controlled Affiliate's) rights under franchise agreements with us then in effect.

3.3. **Development Obligations**. During the term of this Agreement, to maintain your rights under this Agreement, you will at all times faithfully, honestly and diligent perform your obligations and continuously exert your best efforts to promote and enhance the development of Restaurants within the Development Area. You (directly or through a Controlled Affiliate) agree to:

(a) Obtain locations and premises for BURGER 21® Restaurants (the "**Sites**") within the Development Area approved by us;

(b) Sign Franchise Agreements to develop and open, and continue in operation the number of BURGER 21® Restaurants within the time periods (the "**Development Periods**") mandated by the schedule (the "**Development Schedule**") attached as Exhibit "B."

(c) However, we will not grant you a franchise for the third BURGER 21® Restaurant until the first BURGER 21® Restaurant has met our training requirements (e.g., achieved our certification as a training center for your Franchise organization). We will not grant you a franchise for an additional BURGER 21® Restaurant unless each preceding

BURGER 21® Restaurant is operating or under development in full compliance with their respective Franchise Agreements.

3.4. **Effect of Failure**. Strict compliance with the Development Schedule is of the essence. If you do not timely meet the Development Schedule, you will be in default. Any such default constitutes a material breach of this Agreement and we may:

(a) Terminate this Agreement;

(b) Have the right to operate or grant franchises to operate BURGER 21® Restaurants within the Development Area;

(c) Grant you an extension under the Development Schedule for such time period and for a nonrefundable extension fee equal to the balance of the then current Franchise Fees for the number of Restaurants remaining to be opened under the Development Schedule; or

(d) Reduce the Development Area and the Development Schedule to a size and magnitude that we estimate you are capable of operating otherwise in accordance with this Agreement.

4. **DEVELOPMENT FEE**. You agree to pay us a Development Fee of $_____________, which is equal to 1/2 of the initial franchise fee times the number of BURGER 21® Restaurants remaining to be developed pursuant to the Development Schedule minus 1. Since you also sign the first Franchise Agreement on the Agreement Date and pay the Initial Franchise Fee, the total initial payment is illustrated as follows:

| No. of Restaurants | Initial Franchise Fee for 1st Unit | Development Fee for Additional Units | Total Initial Fee Due Upon Signing |
|---|---|---|---|
| 2 | $40,000 | 1 x $20,000 = $20,000 | $60,000 |
| 3 | $40,000 | 2 x $20,000 = $40,000 | $80,000 |
| 4 | $35,000 | 3 x $17,500 = $52,500 | $87,500 |
| 5 | $35,000 | 4 x $17,500 = $70,000 | $105,000 |
| 6 | $35,000 | 5 x $17,500 = $87,500 | $122,500 |
| 7 | $30,000 | 6 x $15,000 = $90,000 | $120,000 |

The Development Fee constitutes payment only for the rights we grant you under this Agreement. The Development Fee must be paid in full on the Agreement Date. The Development Fee is fully earned by us and non-refundable.

5. **GRANT OF FRANCHISES.**

5.1. **Franchise Agreements**. You must enter into our then-current form of franchise agreement for each BURGER 21® Restaurant, and your guarantors must personally guaranty your obligations under them pursuant to our then-current forms of Principal Owners Guaranty. You must sign each Franchise Agreement no later than the earlier of the date you sign a lease agreement or construction contract for the associated Restaurant. However:

(a) All Franchise Agreements will be modified by this Agreement to provide that the Franchise Fee for each BURGER 21® Restaurant under the Development Schedule will be reduced to 1/2 of our Franchise Fee in effect on the Agreement Date.

(b) All Franchise Agreements, except the first one, will be modified to provide that the Restaurant must be opened no later than 9 months after the Franchise Agreement is signed, or the date required by the Development Schedule if sooner.

(c) All Franchise Agreements, except the first two, will be modified to provide that we will provide a company representative for at least a period of 3 days to include the opening date of the Restaurants to provide management and training assistance.

(d) All Franchise Agreements, except the first two, will be modified to provide that if you have already completed Initial Training and as long as you are in compliance with all other franchise agreements with us and all operating standards and specifications, you will not be required to complete initial training.

5.2. **Grant of Franchises**. You agree to give us all information and materials we request to assess each proposed Restaurant site and your (or your Controlled Affiliate's) financial and operational ability to develop and operate each proposed Restaurant. We will not unreasonably withhold approval of any site you propose that meets our then-current criteria for population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size and other physical and commercial characteristics. We have the absolute right to disapprove any site that does not meet these criteria and other criteria that we may develop from time to time. We agree to use reasonable efforts to review and approve the sites that you propose within 30 days after we receive all requested information and materials. If we approve a proposed site and your (or your Controlled Affiliate's) financial and operational ability to develop and operate the proposed Restaurant, then you or your approved Controlled Affiliate, must sign a separate franchise agreement for that Restaurant. If neither you nor your Controlled Affiliate do so (including the owners for documents that need to be signed by them), or are unable to obtain lawful possession of the proposed site within a reasonable time after we approve of the proposed site, then we may withdraw our approval. Neither you nor any Controlled Affiliate may sign any lease or sublease for a site without our prior acceptance and without first signing and complying with any Franchise Agreement. After you (or your Controlled Affiliate) sign the Franchise Agreement, their terms and conditions will control the development and operation of that Restaurant, with the exception that it must be opened within the time limits specified in the Development Schedule.

5.3. **Franchise Status**. This Agreement does not create a franchise relationship between you and us. Any franchise relationship between you and us is created solely by signing a Franchise Agreement.

## 6. TRANSFER.

6.1. **By Us**. This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests.

6.2. **By You**. You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a Business Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, financial capacity and ability to operate Restaurants according to our standards. Accordingly, neither this Agreement (nor any interest in it) nor any ownership or other interest in you or the Restaurant may be transferred without our prior written approval which we may grant or withhold for any or no reason. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "**transfer**" includes your (or your owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) you; or (c) the Restaurant.

An assignment, sale, gift or other disposition includes the following events:

(a) transfer of ownership of 10% or more of your capital stock or a partnership interest;

(b) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you;

(c) any issuance or sale of your stock or any security convertible to your stock;

(d) transfer of an interest in you, this Agreement or the Restaurant in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law;

(e) transfer of an interest in you, this Agreement or the Restaurant, in the event of your death or the death of one of your owners, by will, declaration of or transfer in trust or under the laws of intestate succession; or

(f) pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Restaurant or your transfer, surrender or loss of possession, control or management of the Restaurant.

## 7. TERMINATION OF AGREEMENT.

We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(a) you (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the franchise or entering into this Agreement;

(b) you fail to begin operating the first Restaurant to be developed within 12 months of the Agreement Date;

(c) your, or your owners, failure to successfully complete any required initial or other training to our satisfaction;

(d) you fail to satisfy your development obligations under the Development Schedule or any other obligation under this Agreement, which defaults you have no right to cure;

(e) the Current Franchise Agreement or any other franchise agreement between you (or any Controlled Affiliate) and us for a BURGER 21® Restaurant is terminated by us or you (or the Controlled Affiliate) for any reason;

(f) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony, or other serious crime or offense that we determine will injure our reputation or the goodwill associated with the Marks and System;

(g) you (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of your Restaurants or another BURGER 21® Restaurant or the goodwill associated with the Marks;

(h) you (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or the Restaurant;

(i) you or a Controlled Affiliate violate any health, safety or sanitation law, ordinance or regulation and do not begin to cure the noncompliance or violation immediately, and correct such noncompliance or violation within 24 hours, after written notice is delivered to you;

(j) you fail to pay when due any federal or state income, service, sales or other taxes within 30 days or such other applicable grace or cure period, unless you are in good faith contesting your liability for such taxes;

(k) you (or any of your owners) fail to comply with any other provision of this Agreement and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you; or

(l) you (or any of your owners) fail on 2 or more separate occasions within any period of 12 consecutive calendar weeks or on 3 occasions during the term of this Agreement to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you.

## 8. <u>RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.</u>

**8.1. <u>Independent Contractors</u>**. You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, Restaurant personnel and others as the owner of the Restaurant under a franchise we have granted and to place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as we may require from time to time.

**8.2. <u>No Liability for Acts of Other Party</u>.** You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Restaurant's operation or the business you conduct pursuant to this Agreement.

**8.3. <u>Indemnification</u>.** You agree to indemnify, defend and hold harmless us, our affiliates and our respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any and all taxes described in this Agreement and any and all claims and liabilities directly or indirectly arising out of the Restaurant's operation (even if our negligence is alleged) or your breach of this Agreement. For purposes of this indemnification, "**claims**" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

## 9. <u>ENFORCEMENT.</u>

**9.1. <u>Severability; Substitution of Valid Provisions</u>.** Except as otherwise stated in this Agreement, each term of this Agreement, and any portion of any term, are severable. The remainder of this Agreement will continue in full force and effect. This Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; or (b) the taking of some other action not described in this Agreement; or (c) if any BURGER 21® System Standard is invalid or unenforceable. We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable. In such event, you will be bound by the modified provisions.

**9.2. <u>Waivers</u>.** We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; or (b) we do not insist on your strict compliance with the terms of this Agreement; or (c) if there develops a custom or practice which is at variance with the terms of this Agreement; or (d) if we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other Developer, will not effect our rights with respect to any later breach by you or anyone else.

**9.3. Limitation of Liability.** Neither of the parties will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from:

(a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof;

(b) acts of God;

(c) acts or omissions of a similar event or cause.

However, such delays or events do not excuse payments of amounts owed at any time.

**9.4. Approval and Consents.** Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. Except where expressly stated otherwise in this Agreement, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

**9.5. Waiver of Punitive Damages.** EXCEPT FOR YOUR OBLIGATIONS TO INDEMNIFY US AND CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION, YOU AND WE EACH WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

**9.6. Limitations of Claims.** ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP AMONG YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN ONE YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN). HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

**9.7. Governing Law.** EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §1051 AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE FRANCHISE ARE GOVERNED BY THE LAW OF THE STATE IN WHICH OUR PRINCIPAL BUSINESS OFFICE IS LOCATED, EXCLUDING ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP BETWEEN A FRANCHISOR AND DEVELOPER, UNLESS THE JURISDICTIONAL REQUIREMENTS OF SUCH LAWS ARE MET INDEPENDENTLY

WITHOUT REFERENCE TO THIS SECTION. ALL MATTERS RELATING TO ARBITRATION ARE GOVERNED BY THE FEDERAL ARBITRATION ACT. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

9.8. **Jurisdiction**. YOU AND WE CONSENT AND IRREVOCABLY SUBMIT TO THE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN HILLSBOROUGH COUNTY, FLORIDA, AND WAIVE ANY OBJECTION TO THE JURISDICTION AND VENUE OF SUCH COURTS. THE EXCLUSIVE CHOICE OF JURISDICTION DOES NOT PRECLUDE THE BRINGING OF ANY ACTION BY THE PARTIES OR THE ENFORCEMENT BY THE PARTIES IN ANY JUDGMENT OBTAINED IN ANY SUCH JURISDICTION, IN ANY OTHER APPROPRIATE JURISDICTION OR THE RIGHT OF THE PARTIES TO CONFIRM OR ENFORCE ANY ARBITRATION AWARD IN ANY APPROPRIATE JURISDICTION.

9.9. **Waiver of Jury Trial**. YOU AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US.

9.10. **Cumulative Remedies**. The rights and remedies provided in this Agreement are cumulative and neither you nor we will be prohibited from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

9.11. **Costs and Attorneys' Fees**. If a claim for amounts owed by you to us or any of our affiliates is asserted in any legal or arbitration proceeding or if either you or we are required to enforce this Agreement in a judicial or arbitration proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys fees. Attorneys fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement.

9.12. **Binding Effect**. This Agreement is binding on and will inure to the benefit of our successors and assigns. Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators.

9.13. **Entire Agreement**. This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us. There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement, except for the information contained in our Franchise Disclosure Document. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

9.14. **No Liability to Others; No Other Beneficiaries**. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. Except as specifically described in this Agreement, no other party has any rights because of this Agreement.

**9.15. Construction**. The headings of the sections are for convenience only. If two or more persons are at any time Developers hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. This Agreement may be signed in multiple copies, each of which will be an original. "**A or B**" means "**A**" or "**B**" or both.

**9.16. Certain Definitions**. The term "**family member**" refers to parents, spouses, off-spring and siblings, and the parents and siblings of spouses. The term "**affiliate**" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms "**franchisee, Developer, you and your**" are applicable to one or more persons, a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term "**person**" includes individuals or Business Entities. The term "**section**" refers to a section or subsection of this Agreement. The word "**control**" means the power to direct or cause the direction of management and policies. The word "**owner**" means any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), including any person who has a direct or indirect interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets.

**9.17. Timing is of the Essence** . It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words "**from**" and "**commencing on**" (and the like) mean "**from and including**"; and the words "**to,**" "**until**" and "**ending on**" (and the like) mean "**to but excluding.**" Indications of time of day mean Tampa, Florida time.

**9.18. Survival**. This provision continues in full force and effect subsequent to and notwithstanding the expiration or termination of this agreement for any reason.

## 10. NOTICES.

**10.1. Notice**. All written notices and reports permitted or required under this Agreement or by our confidential operations manual(s) will be deemed delivered:

(a) at the time delivered by hand;

(b) one business day after transmission by facsimile, telecopy or other electronic system (including e-mail);

(c) 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or

(d) 3 business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

All such notices must be addressed to the parties as follows:

| | |
|---|---|
| If to Us: | Burger 21 International, Inc.<br>8810 Twin Lakes Road<br>Tampa, Florida 33614<br>Attention: Franchise Administration |
| If to You: | ________________________________<br>________________________________<br>________________________________<br>Attention:______________________ |

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or properly placed in the U.S. mail and postmarked by postal authorities at least 3 business days prior thereto, or for which the receipt from the commercial carrier service is not dated at least 2 business days prior thereto) will be deemed delinquent.

**10.2.** **Electronic Mail** . You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates (“**Official Senders**”) to you during the term of this Agreement. You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement. The consent given in this Section 21.2. does not apply to the provision of notices by either party under this Agreement pursuant to Section 21.1 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

## 11. COMPLIANCE WITH ANTI-TERRORISM LAWS.

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. “**Anti-Terrorism Laws**” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, constitutes good cause for immediate termination of this Agreement.

Intending to be bound, you and we sign and deliver this Agreement in 2 counterparts on the Agreement Date.

| | |
|---|---|
| **"US":** | **"YOU":** |
| **BURGER 21 INTERNATIONAL, INC.** | ______________________________ [Business Entity Name] |
| By: | By: |
| Name:________________________ | Name:________________________ |
| Title:________________________ | Title:________________________ |
| Date: | Date: |

## EXHIBIT "A"

## MAP OF DEVELOPMENT AREA

## EXHIBIT "B"

## DEVELOPMENT SCHEDULE

1. **Total Number of Restaurants**. You must develop and maintain in operation a total of ___ Burger 21® Restaurants in the Development Area during the Term.

2. **Timing: Site/Opening**. You must obtain Sites (evidenced by a signed lease agreement) and open the ___ Burger 21® Restaurants by the following dates for purposes of meeting the Development Schedule:

| Restaurant No. | Development Year | | Date Site Must Be Obtained | Date Restaurant Must Be Opened |
|---|---|---|---|---|
| | Beginning Date | Ending Date | | |
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3. **Development Year**. The 1st Development Year begins on the Agreement Date and ends on the last day of the 12th calendar month after the Agreement Date. Thereafter, each Development Year begins on the 1st day of the calendar month after the end of the prior Development Year and continues through the last day of the 12th calendar month. For example, if the Agreement Date is September 15, 2015, then the 1st Development Year will be from September 15, 2015 through September 30, 2016; thereafter each October 1 through September 30 during the Term.

4. **Timing: Cumulative**. You must have open and maintain in operation in the Development Area, in accordance with the terms of and pursuant to Franchise Agreements, the cumulative number of Restaurants by the following dates in accordance with the following table:

| Development Year Ending Date | Cumulative No. of Restaurants in Operation |
|---|---|
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| | |

**DEVELOPER**

______________________________

By: ______________________
Name: ______________________
Title: ______________________

**BURGER 21 INTERNATIONAL, INC.**

By: ______________________
Name: ______________________
Title: ______________________

**EXHIBIT D TO THE DISCLOSURE DOCUMENT**

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**FORM OF CONDITIONAL ASSIGNMENT OF**

**TELEPHONE NUMBERS AND LISTINGS**

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# CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

**THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS** (this "**Assignment**") is effective as of ____________, 20__, between **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation with its principal place of business at 8810 Twin Lakes Boulevard, Tampa, Florida 33614 ("**we**," "**us**" or "**our**") and ______________________________

______________________________________________________________________________,
whose current place of business is ______________________________________________
("**you**" or "**your**"). You and we are sometimes referred to collectively as the "parties" or individually as a "party."

## BACKGROUND INFORMATION:

We have simultaneously entered into the certain Franchise Agreement (the "**Franchise Agreement**") dated as of ___________, 20___ with you, pursuant to which you plan to own and operate a BURGER 21® Restaurants (the "**Restaurant**"). The BURGER 21® Restaurants use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively the "**System**"). We identify BURGER 21® Restaurants and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively the "**Marks**"). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings of the Restaurant if the Franchise Agreement is terminated.

## OPERATIVE TERMS:

You and we agree as follows:

1. **Background Information**: The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

2. **Conditional Assignment**: You assign to us, all of your right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Numbers and Listings**") associated with the Marks and used from time to time in connection with the operation of the Restaurant. This Assignment is for collateral purposes only. We will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless we notify the telephone company and/or the listing agencies with which you have placed telephone directory listings (collectively, the "**Telephone Company**") to effectuate the assignment of the Numbers and Listings to us. Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers and Listings. In such event, you will have no further right, title or interest in the Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the date on which the assignment is effective. As between us and you, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers and Listings.

3. **Power of Attorney**: You irrevocably appoint us as your true and lawful attorney-in-fact to: (a) direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us; and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment. Notwithstanding anything else in the Assignment, however, you will immediately notify and instruct the Telephone Company to effectuate the assignment described in this Assignment to us when, and only when: (i) the Franchise Agreement is terminated or expires; and (ii) we instruct you to so notify the Telephone Company. If you fail to promptly direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, we will direct the Telephone Company to do so. The Telephone Company may accept our written direction, the Franchise Agreement or this Assignment as conclusive proof of our exclusive rights in and to the Numbers and Listings upon such termination or expiration. The assignment will become immediately and automatically effective upon Telephone

Company's receipt of such notice from you or us. If the Telephone Company requires that you and/or we sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature on such forms or documentation on your behalf will effectuate your consent and agreement to the assignment. At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement. The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent.

4. **Indemnification**: You will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company.

5. **Binding Effect**: This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

6. **Assignment to Control**: This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company.

7. **Attorney's Fees, Etc.**: In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "attorneys' fees" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. **Severability**: If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. **Governing Law and Forum**: This Assignment is governed by Florida law. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in Hillsborough County, Florida, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

| **ASSIGNOR:** | **ASSIGNEE:** |
|---|---|
| | **BURGER 21 INTERNATIONAL, INC.** |
| By:________________ | By:________________ |
| Name:______________ | Name:______________ |
| Title:______________ | Title:______________ |
| Date:______________ | Date:______________ |

STATE OF ____________________)
) SS.
COUNTY OF ___________________)

The foregoing instrument was acknowledged before me this _____ day of _____________, 20___, by ____________________________, as ________________________________________________ of ____________________________________, a _________________________________, on behalf of said _____________. He/She is personally known to me or has produced ___________________ as identification.

____________________________________________
Printed Name:______________________________
NOTARY PUBLIC
Commission No.:____________________________
State of _____________ at Large
My Commission Expires:

(Notarial Seal)

**STATE OF FLORIDA** )
) **SS:**
**COUNTY OF HILLSBOROUGH** )

The foregoing instrument was acknowledged before me this ____ day of ______________, 20____, by _______________________________ as __________________________ of **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation, on behalf of said corporation. He/She is personally known to me or has produced ______________________ as identification.

____________________________________________
Printed Name:______________________________
NOTARY PUBLIC
Commission No.:____________________________
State of _____________ at Large
My Commission Expires:

(Notarial Seal)

**THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS** is accepted and agreed to by:

____________________________________________
**(TELEPHONE COMPANY)**

By:_______________________________________
Name:_____________________________________
Its:_______________________________________
Date:______________________________________

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**

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# FORM OF

# COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

# AND

# LEASE RIDER

---

## COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

**THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this "**Assignment**") is effective as of the effective date of the Lease (as defined below), between and among **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation with its principal place business at 8810 Twin Lakes Blvd., Tampa, Florida 33614 ("**we**," "**us**," "**our**" or the "**Franchisor**"), and ____________________________, a ______________________ (corporation, partnership, limited liability company) whose current principal place of business is ____________________ ______ ("**you**," "**your**" or the "**Franchisee**"). You and we are sometimes referred to collectively as the "**parties**" or individually as a "**party**."

### BACKGROUND INFORMATION:

We entered into that certain Franchise Agreement (the "**Franchise Agreement**") effective as of ____________, 20__ with you, pursuant to which you plan to own and operate a franchised BURGER 21® Restaurant ("**Restaurant**") located at ________________________________ ______ (the "**Restaurant Premises**"). In addition, pursuant to that certain Lease Agreement (the "**Lease**"), you have leased or will lease certain space containing the Restaurant Premises described therein from __________________________. The Franchise Agreement requires you to deliver this Assignment to us before you open your Restaurant and commence business.

### OPERATIVE TERMS:

We and you agree as follows:

1. **Background Information**. The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Lease.

2. **Indemnification**. You agree to indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.

3. **Collateral Assignment**. You grant to us a security interest in and to the Lease, all of the furniture, removable trade, fixtures, inventory, licenses and supplies located in the Restaurant Premises and the franchise relating to your Restaurant, and all of your rights, title and interest in and to the Lease as collateral for: (a) the payment of any obligation, liability or other amount owed by you or your affiliates to the Lessor arising under the Lease; (b) for any default or breach of any of the terms and provisions of the Lease; and (c) for any default or breach of any of the terms and provisions of the Franchise Agreement and any Area Development Agreement with us. The term "**Collateral**" shall specifically exclude any items which are fixtures and thus property of the landlord under the laws of the state where the Restaurant Premises is located and any personal property or other items owned by Landlord. In the event of a breach or default by you under the terms of the Lease, or, in the event we make any payment to the Lessor as a result of your breach of the Lease, then such payment by us, or such breach or default by you, will at our option be deemed to be an immediate default under the Franchise Agreement (and any Area Development Agreement), and we will be to the possession of the Restaurant Premises and to all of your rights, title and interest in and to the Lease and to all other remedies described herein, in the Franchise Agreement (and any Area Development Agreement) or at law or in equity, without prejudice to any of our other rights or remedies under any other agreements or under other applicable laws or equities. This Assignment will constitute a lien on your interest in and to the Lease until satisfaction in full of all amounts owed by you to us. In addition, our rights, as provided by this Assignment, to assume all obligations under the Lease are totally optional on our part, to be exercised in our sole discretion. You will execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by us to perfect or document the interests and assignments granted herein.

4. **No Subordination**. Other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for your operations in the Restaurant Premises, and the agreements and other instruments referenced herein, and any mortgage debt of the Lessor (provided Lessor's mortgagee enters into a non-disturbance agreement), you will not permit the Lease to become subordinate to any lien without first obtaining our written consent. You will not terminate, modify or amend any of the provisions or terms of the Lease without our prior written consent. Any attempt at termination, modification or amendment of any of the terms without such written consent will be null and void.

5. **Exercise of Remedies**. We will be entitled to exercise any one or more of the following remedies in our sole discretion in the event of any default by you under the terms of the Lease, the Franchise Agreement or any Area Development Agreement:

(a) to take possession of the Restaurant Premises, or any part thereof, personally, or by our agents or attorneys;

(b) to, in our discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Restaurant Premises, together with all of your furniture, fixtures, inventory, books, records, papers and accounts;

(c) to exclude you, your agents or employees from the Restaurant Premises;

(d) as attorney-in-fact for you, or in our own name, and under the powers herein granted, to hold, operate, manage and control Restaurant and conduct the business, if any, thereof, either personally or through our agents, with full power to use such legally rectifiable measures which may, in our sole discretion, be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to us to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

(e) to cancel or terminate any unauthorized agreements or subleases you entered into, for any cause or ground which would entitle us to cancel the same;

(f) to disaffirm any unauthorized agreement, sublease or subordinated lien and, with Lessor's consent, which shall not be unreasonably withheld, conditioned, or delayed, to make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements to the Restaurant Premises that are in our sole discretion judicious;

(g) to insure and reinsure the same for all risks incidental to our possession, operation and management thereof; and/or

(h) notwithstanding any provision of any agreement to the contrary, to declare all of your rights but not obligations under the Franchise Agreement (or any Area Development Agreement) to be immediately terminated as of the date of your default under the Lease.

6. **Power of Attorney**. You irrevocably appoint us as your true and lawful attorney-in-fact and authorize us, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Restaurant Premises, to operate, rent, lease, and manage the Restaurant Premises to or by any person, firm or corporation upon such terms and conditions as we may determine in our discretion, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as we would have upon taking possession of the Restaurant Premises pursuant to the provisions set forth in the Lease and this Assignment. The power of attorney conferred upon us pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our written consent.

7. **Election of Remedies**. The provisions set forth in this Assignment will be deemed a special remedy given to us and will not be deemed to exclude any of the remedies granted in the

Franchise Agreement or any other agreement between you and us, but will be deemed an additional remedy and will be cumulative with the remedies therein and elsewhere granted to us, all of which remedies will be enforceable concurrently or successively. No exercise by us of any of the rights hereunder will cure, waive or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by us will be construed as a waiver of any of our rights and remedies and no waiver by us of any such rights and remedies will be construed as a waiver by us of any future rights and remedies.

8. **Copies of Reports**. Franchisee hereby agrees that it will provide to Franchisor copies of all reports and information that Franchisee must provide to Landlord under the Lease. Franchisee expressly permits the Lessor to deliver to us all reports and information that you must provide it under the Lease. Any agreement that is made between Landlord and Franchisee shall require Landlord to provide to Franchisor a copy of any notice that it sends to Franchisee and that Landlord must provide to Franchisor notice of any and all delinquency or breaches by Franchisee under such agreement (including, but not limited to, the Lease) or pending forfeiture of Franchisee's rights under such agreement, including, but not limited to, the Lease.

9. **Binding Effect**. This Assignment and all provisions herein will be binding upon and inure to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns, except as otherwise provided herein. All individuals executing on behalf of entities, corporate or otherwise, hereby represent and warrant that such execution has been duly authorized by all necessary authorizations and approvals for such entities.

10. **Assignment to Control**. This Assignment will govern and control over any conflicting provision in the Lease; provided that this agreement shall in no way limit or abridge the rights of Lessor under the Lease except as otherwise provided herein.

11. **Attorney's Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term **"attorneys' fees"** means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

12. **Severability**. If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

13. **Governing Law and Forum**. This Assignment and the rights and obligations of the parties hereunder shall in all respects be governed by, construed, and enforced in accordance with the laws of the State of Florida except to the extent of procedural and substantive matters relating only to the creation, perfection, foreclosure, and enforcement of rights and remedies against the Restaurant Premises, which such matters shall be governed by the laws of the State where the Restaurant Premises are located.

The parties hereby agree that any action relating to this Assignment (other than those procedural and substantive matters regarding the foreclosure and enforcement of right and remedies against the Restaurant Premises) shall be brought in the State or Federal Courts of general jurisdiction in the county in which Franchisor's principal headquarters are located; and the parties irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

14. **Headings**. The headings contained in this Assignment are for convenience of reference only and must not in any way modify or limit the meaning or interpretation of this Assignment.

15. **Pronouns and Gender**. All terms and words used in this Assignment, regardless of the number or gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Assignment or any section, subsection, paragraph or clause may require, as if such words had been fully and properly written in the appropriate number and gender.

16. **Assignment to Franchisor**: In the event Franchisor elects to assume Franchisee's interest in the Lease, Franchisee shall promptly vacate the premises. Franchisee agrees that Landlord is not liable and shall indemnify and hold Landlord harmless in the event that Landlord transfers interest in the Lease to Franchisor.

**IN WITNESS WHEREOF**, the parties have caused this Assignment to be executed as of the day and year first above written.

**WITNESS:**

**THE "FRANCHISOR":**

**BURGER 21 INTERNATIONAL, INC.**
8810 Twin Lakes Blvd.
Tampa, FL 33614
(813) 327-7870

By:____________________________
Name:__________________________

By:____________________________
Name:__________________________
Title:___________________________

**THE "FRANCHISEE":**

Address:_________________________
________________________________
Phone:__________________________

By:____________________________
Name:__________________________

By:____________________________
Name:__________________________
Title:___________________________

Required Language for all BURGER 21® Franchisee Leases:
must be included in Rider or Addendum to Lease

**RIGHTS OF FRANCHISOR**
**RIDER TO LEASE BETWEEN**
**______________________________ AND**
**______________________________**

**THIS RIGHTS OF FRANCHISOR RIDER** is effective as of ______________ (the "**Effective Date**"), and is being signed simultaneously with the Lease (the "**Lease**") dated ______________ between ______________________________ (the "**Franchisee**" or "**Tenant**") and ______________________________ (the "**Landlord**") for the real property commonly known as ______________________________ ______________________________ (the "**Premises**").

1. **Incorporation and Precedence**. This Rider is incorporated into the Lease and supersedes any conflicting provisions in it. Capitalized terms not otherwise defined in this Rider have the meanings as defined in the Lease.

2. **Background**. The Tenant will operate a BURGER 21® Restaurant at the Premises under a Franchise Agreement with Burger 21 International, Inc. (the "**Franchisor**"). By entering into a franchise relationship with the Franchisor, the Tenant has agreed to grant the Franchisor a security interest in the Lease, all of the furniture, removable trade fixtures, kitchen equipment dining tables and booths, lamps and lighting fixtures, inventory, licenses and supplies located in the Premises as collateral for: (a) the payment of any obligation, liability or other amount owed by the Tenant or its affiliates to the Landlord arising under the Lease; (b) any default or breach of any of the terms and provisions of the Lease; and (c) for any default or breach of any of the terms and provisions of the Franchise Agreement with the Franchisor. The Franchise Agreement also requires that the Lease contain certain provisions that the Tenant is requesting the Landlord to include.

3. **Signage**. The Tenant has the right to install and maintain for the Term of the Lease, BURGER 21® Restaurant System standard signage (the "**Signage**") in the size and specifications set forth in, and in all respects in compliance with, the Franchisor's signage standards, a copy of which is attached to this Rider.

4. **Grant of License**. The Landlord grants to the Tenant during the term of the Lease a non-exclusive right and easement over that portion of the property as may be required by the Tenant to improve, renovate, repair, replace and maintain the Premises or replace its Signage or its panel on the pylon sign for the property. The Tenant has the right to change or alter the Signage at any time during the term of the Lease provided the Signage is in compliance with all applicable governmental codes and regulations. The Signage may include: (a) signage on the exterior front wall of the Premises; (b) signage on another exterior portion of the Premises; (c) a separate pylon sign on the property; (d) separate signage on the property, (e) a panel on the pylon sign for the property; and (f) other signage which may be required by the Franchisor or agreed upon by the Landlord and the Tenant.

5 **Copies of Reports**. The Landlord agrees to provide copies of all reports, information and data in Landlord's possession respecting sales made in, upon or from the Premises on a timely basis, upon written request, but no more than quarterly in any calendar year during the Term of the Lease.

6. **Waiver of Landlord's Lien**. The Landlord waives lien rights for the following items to the Franchisor:

(a) **Signage** – Any type of signage, interior or exterior, bearing in any form BURGER 21® logo, name or insignia.

(b) **Artwork** – BURGER 21® Proprietary Artwork Package including vinyl B-ism wall treatments.

(c) **Burger Presses and Molds** – Any burger molds and presses used to shape our burger patties.

(d) **Branded Items, Retail Merchandise, Menus and Point of Sale Materials** – Any item bearing in any form BURGER 21® or associated logo, name or insignia, including, without limitation: retail merchandise; menus; table tents; napkins; and drinkware.

(e) **Hardware, Software and Customer Database** – Any software or hardware not available to the general public, especially including those items which are used by or have been created to be used by or communicate within BURGER 21® Franchise System. Any form of database, including the reservation book(s), which contain customer names and/or other miscellaneous customer information.

(f) **Operating Manuals, Recipes, Documents and Files** – Any manual, document or otherwise related form which is used by BURGER 21® Franchise system, including all BURGER 21® Standards Forms, files (including electronic files), Brand Standards Manual, Social Media Policy Manual, Quality Certification Inspections, InMoment Survey Reports, All Training Manuals, Kitchen Reference Manual, Operations Manual, and other operational manuals, internal releases and newsletters.

(g) **Trade Dress** – Any item of clothing, including aprons, bearing in any form BURGER 21® logo, name or insignia.

(h) **Products** – Any product that is supplied to the franchisee and not otherwise available to the general public. This also includes the containers and labels for BURGER 21® To-Go items.

7. **Notice of Default**. The Landlord will give written notice to the Franchisor (concurrently with the giving of such notice to the Tenant) of any defaults (a "**Default**") by the Tenant under the Lease by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

Burger 21 International, Inc.
8810 Twin Lakes Boulevard
Tampa, Florida 33614
Attention: Legal Franchise Administration

Upon receipt of a Notice of Default, the Tenant agrees to authorize the Landlord to communicate with the Franchisor and the Landlord agrees to communicate with a representative of the Franchisor concerning, but not limited to, the terms and conditions of the Default.

8. **Franchisor's Assumption of Lease**. The Landlord consents to the Franchisor's assumption of all of the Tenant's rights and obligations under the Lease upon the occurrence of either of the following events under the terms and conditions set forth:

(a) **Default of Franchisee under the Lease**; If the Tenant fails to cure a Default within the period specified within the Lease, then Landlord will, within 1 business day following the expiration of such cure period, give the Franchisor written notice of such failure to cure a Default, and offer the Franchisor the option to assume Tenant's interest in the Lease (the "**Offer**") so long as the Franchisor cures any default capable of being cured by Franchisor. Nevertheless, the Franchisor has no obligation to cure any monetary default: (i) if the Franchisor was not given notice by the Landlord within 20 days following the date when such payment was due; or (ii) any amount in excess of 2 months base rental. The Landlord will attach a complete copy of the Lease and any amendments thereto to the Offer. If the Franchisor accepts the Offer, the Franchisor must send written notice of its acceptance to the Landlord and the Tenant (the "**Acceptance**") within 15 business days after receipt of the Offer from the Landlord. Failure of the Franchisor to send the Acceptance constitutes a waiver of the Franchisor's right to assume the Lease. In the event that the Franchisor accepts the Offer, then the Franchisor, in order for the Offer and the Acceptance to remain in full force and effect, must cure the defaults that are capable of being cured by the Franchisor within 5 business days of the Acceptance if such default is monetary, or within 30 days of the Acceptance if such default is non-monetary. If the Franchisor is not capable of curing such non-monetary default during the 30 days, an extension of an additional 30 days will be granted provided the Franchisor is diligently pursuing such cure. Failure of the Franchisor to effect such cure within such time periods constitutes a rejection of the Offer.

(b) **Upon Termination of the Franchise Agreement**: If during the term of the Lease or any extensions thereof, the Franchisor notifies the Landlord, in writing, that the Tenant's Franchise Agreement with the Franchisor has been terminated, then the Landlord will promptly give the Franchisor written notice specifying the defaults, if any, of the Tenant under the Lease, and will offer the Franchisor the option to assume all of the Tenant's interest in the Lease.

9. **Assignment of Lease to the Franchisor**: In the event the Franchisor elects to assume the Tenant's interest in the Lease, the Landlord will promptly deliver possession of the Premises to the Franchisor provided that the Franchisor has executed and delivered an assignment and assumption agreement to Landlord, in a form mutually agreeable to the Landlord and the Franchisor, and the Franchisor has agreed to cure all of the Tenant's defaults capable of being cured by the Franchisor. The Tenant agrees that the Landlord is not liable and indemnifies and holds the Landlord harmless in the event that the Landlord transfers interest in the Lease to the Franchisor in accordance with this Rider. After the Franchisor assumes the Tenant's interest under the Lease, the Franchisor may, at any time, assign such interest or sublet the premises to one of its franchisees upon written notice to the Landlord, provided that such franchisee is of same, or greater, net worth as the Tenant. Upon such transfer, the Franchisor will have no further liability or obligation to the Landlord under the Lease accruing after such transfer.

10. **Amendment**. The Landlord and the Tenant will not cancel, terminate, modify or amend the Lease including, without limitation, Franchisor's rights under this Rider, without the Franchisor's prior written consent, except that, subject to the Franchisor's cure rights, this paragraph will not prevent the Landlord from exercising any right to cancel or terminate the Lease due to Tenant's default.

11. **Benefits and Successors.** The benefits of this Rider inure to the Franchisor and to its successor and assigns.

12. **Remaining Provisions Unaffected**. Those parts of the Lease that are not expressly modified by this Rider remain in full force and effect.

Intending to be bound, the Landlord and the Tenant sign and deliver this Rider effective on the Effective Date, regardless of the actual date of signature.

**THE "Landlord":**

____________________________________

Address:______________________________

____________________________________

Phone:_______________________________

By:_________________________________
Name:_______________________________
Title:________________________________

**THE "TENANT":**

____________________________________
Address:______________________________

____________________________________
Phone:_______________________________

By:_________________________________
Name:_______________________________
Title:________________________________

**BURGER 21® RESTAURANT SYSTEM**

**SIGNAGE STANDARDS**

BURGER 21™

# BURGERS REINVENTED

Signage Standards

Signage Standards - Version July 2016

## Color

BLACK

WHITE

## Font

The Burger 21 font is stylized in vector art. Please obtain EPS. file from the Burger 21 Construction and Design Department.

# Approved Logos and Sample Layouts

The below logos are the choices for construction signage. The Burger 21 logo is trademarked and cannot be reconstructed in any form. If zoning or building codes require adjustments to logo, please contact jsullivan@burger21.com

Burger 21 is to be a channel letter sign with an aluminum backer panel. Brand descriptor is required to be a separate sign, living below the logo. The letters are to be 3/8" Aluminum painted black. Some items will be approved prior to installation of sign based on construction of sign such as raceway, box, etc. Sample layouts below.

## Pylon

(Street signage only)

BURGER 21™

BURGERS REINVENTED

## Exterior Building Sign

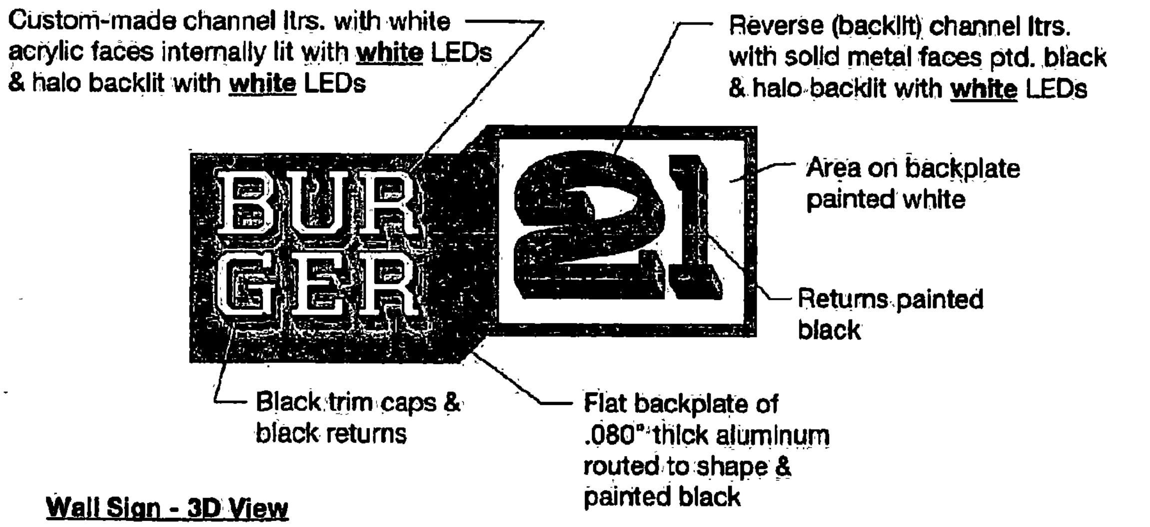
BURGER 21™

BURGERS REINVENTED

# Lighting Options

**All lighting is subject to preliminary review and approval prior to manufacturing.**

**Signage is internally illuminated closed face with white LED. Light colors are limited to white only.**




**Wall Sign - 3D View**

## Pre-Approval Process

Please send proofs to the Burger 21 International Restaurant Support Center before anything is submitted to the owner/location. Proof needs to show the signage in color on the pylon and on the building.

**Items need to include:**

Elevation drawing showing dimensions, color matching, lighting and construction of sign. Submit to jsullivan@burger21.com in .pdf format.

Once you are given pre-approval you may submit to location for approval. If any changes are made after initial pre-approval, you will need to repeat the pre-approval process.

Final approval for manufacture/installation of sign is only approved by owner of location. Burger 21 International Inc. Restaurant Support Center will not be held responsible for final approval.

**Contact Information**

Jim Sullivan - Vice President
813-841-4153
jsullivan@burger21.com

Simone Sanguinette - Construction and Design Manager
813-327-7882
ssanguinette@burger21.com
8810 Twin Lakes Blvd
Tampa, FL 33614

**EXHIBIT F-1 TO THE DISCLOSURE DOCUMENT**

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**FORM OF**

**NONCOMPETE AGREEMENT**

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## NONCOMPETE AGREEMENT

This Noncompete Agreement (the "**Agreement**") is entered into by and between: ***ENTER NAME OF FRANCHISEE*** ("**Employer**") and ________________ (the "**Employee**").

Employer is a franchisee operating a BURGER 21® Restaurant (the "**Restaurant**") under a Franchise Agreement (the "**Franchise Agreement**") with Burger 21 International, Inc. (the "**Franchisor**").

Employee and the Employer have entered into a separate Confidentiality, Non-solicitation and Assignment of Inventions Agreement, with an Effective Date of _________, ___ 20__ (the "**Confidentiality Agreement**"). This Agreement is effective on the Effective Date of the Confidentiality Agreement.

In consideration of the employment or continued employment of Employee by Employer and other good and valuable consideration the Employer and Employee (collectively the "**Parties**") agree that:

1. **Incorporation by Reference**. Paragraph 1 of the Confidentiality Agreement is incorporated herein by reference, in its entirety. Further, Employee acknowledges and agrees that due to the nature of Employee's job duties with the Employer, Employee has: (a) learned or is likely to learn Confidential Information; and (b) attended or will attend extraordinary and specialized training programs offered by the Employer or the Franchisor that are proprietary to the operation of Burger 21® Restaurants and not for the operation of restaurants generally.

2. **Definitions**: For purposes of this Agreement:

(a) "**Competitive Business**" means any business or facility owning, operating or managing, or granting franchises or licenses to others to own, operate or manage, any restaurant or food service facility that features hamburgers, shakes or french fries for 25% or more of its menu offerings or gross sales, whether for quick service, quick casual or full service dining (other than a BURGER 21® Restaurant operated by, or under, a franchise agreement with Franchisor);

(b) "**Territory**" means within 30 miles, or within the Area of Dominant Influence ("**ADI**") (as defined by Arbitron) of: (i) the Restaurant; or (ii) any restaurant owned or operated by Employer or Franchisor, or any of their subsidiaries, affiliates or franchisees: (x) as of the Effective Date or (y) while Employee is employed by Employer; or (z) as of the date of the end of Employee's employment.

3. **Noncompetition**. Employee agrees that employee shall not, during Employee's employment with Employer and for a period of twenty-four (24) months following the termination of said employment, directly or indirectly, as an owner (disclosed, beneficial or otherwise), partner, shareholder, franchisor, franchisee, affiliate, proprietor, agent, director, officer, employee, independent contractor, consultant, or in any other capacity, on Employee's own behalf or on behalf of any other person or entity other than the Employer:

(a) Have any financial or other interest, direct or indirect (e.g., through a spouse, child, business partner or business entity) in any Competitive Business within the Territory, or in any entity which has granted or is granting franchises or licenses to others to operate a Competitive Business within the Territory;

(b) Engage in a Competitive Business within the Territory;

(c) Perform any services for any individual or entity engaging in a Competitive Business within the Territory; and/or

(d) Solicit, divert or take away any business, or any current or prospective customer, referral source, client, vendor, supplier, franchisee or contractor, of the Employer or any of its subsidiaries, affiliates or franchisees, or interfere with the relationship between the Employer or any of its subsidiaries, affiliates or franchisees and any such person or entity, or cause any such person or entity to stop doing business with or to reduce the extent of its business with the Employer or any of its subsidiaries, affiliates or franchisees.

(e) Employee will not, directly or indirectly, recruit, train, supervise, encourage or assist others to engage in any of the activities proscribed in this Paragraph 3.

(f) For purposes of this Paragraph 3, a "current" customer, referral source, client, vendor, supplier, franchisee or contractor means one which has provided goods or services to, or acquired goods or services from, the Employer or any of its subsidiaries, affiliates or franchisees, within the two years preceding either the termination of Employee's employment with Employer or Employee engaging in any conduct prohibited by this Agreement. For purposes of this Paragraph 3, a "prospective" customer, referral source, client, vendor, supplier, franchisee or contractor means any specific person or entity the Employer or any or its subsidiaries, affiliates or franchisees has contacted, or attempted to contact, for the purpose of engaging in any transfer of goods or services within the two years preceding either the termination of Employee's employment with Employer, or Employee engaging in any conduct prohibited by this Agreement, and also includes any specific person or entity as to which, during said time period, the Employer or any of its subsidiaries, affiliates or franchisees has engaged in any evaluation, planning or other activities relating to the possibility of establishing a business relationship.

(g) The time periods of the restrictions in this Paragraph 3 will be automatically extended by any length of time during which Employee is in breach of any provision of this Agreement.

4. **<u>Protection of Business Interests</u>**. Employee agrees that the restrictions in Paragraph 3 of this Agreement are reasonable and necessary for the protection of the legitimate business interests of both Employer and Franchisor, and that the restrictions will not unduly interfere with Employee's opportunity for gainful employment.

5. **<u>Survival</u>**. The covenants in this Agreement are independent covenants, separate and apart from any other agreements, covenants or obligations between the Parties. The breach of any agreements, covenants or obligations not contained in this Agreement shall not be a defense to enforcement of this Agreement. The provisions of this Agreement survive any termination of the employment relationship between Employee and Employer. Further, all of the restrictive covenants contained in this Agreement remain effective regardless of whether Employee's employment is terminated voluntarily or involuntarily, or with or without cause.

6. **<u>Remedies</u>**. Employee agrees that in the event of an actual or threatened breach of the provisions of this Agreement, Employer or Franchisor or both Employer and Franchisor shall be entitled to:

(a) An ex parte, preliminary, and/or permanent injunction restraining Employee from using or disclosing, in whole or in part, the Confidential Information, from rendering any services to any person, firm, corporation, association or other entity to whom said Confidential Information, in whole or in part, has been disclosed or is threatened to be disclosed, and/or restraining Employee from violating the provisions of this Agreement, without the requirement for the posting of a bond (except where the posting of a bond a non-waivable requirement of applicable law);

(b) Damages; and

(c) Any other legal or equitable remedies available to it.

In addition to the remedies described above, during any period of time in which Employee is in breach of this Agreement, the Employer will not be required to pay any compensation to Employee except the minimum amount required to be paid under the Fair Labor Standards Act and any other applicable statute or regulation.

The remedies available under this Agreement are in addition to, and not in lieu of, any remedies that may be available under the Confidentiality Agreement.

7. **Expenses**. In the event that Employer or Franchisor initiates legal proceedings to enforce the terms of this Agreement, the prevailing party shall be entitled to recover all expenses (including discovery and other court costs and attorneys' fees) incurred in connection with those proceedings and any appeal from those proceedings.

8. **Waiver of Terms**. No waiver or modification of any provision of this Agreement will be valid unless in writing and signed by an authorized representative of Employer.

9. **Choice of Law**. This Agreement is governed by the laws of the state in which the Employer's Restaurant is located.

10. **Waiver of Jury Trial**. Employee waives any right he or she may have to a trial by jury of any dispute arising under this Agreement.

11. **Assignment**. This Agreement survives any change in the Employer's or Franchisor's ownership, any merger or consolidation and any sale of substantially all of the Employer's or Franchisor's assets. Employee consents to enforcement of this Agreement by any of the Employer's or Franchisor's successors, transferees or assignees. Employee may not assign any of Employee's rights or delegate any of Employee's responsibilities hereunder.

12. **Savings Clause**. If any of the provisions of this Agreement are determined to be in violation of any law, rule or regulation, or are otherwise ruled to be unenforceable, such determination shall not affect any other clauses of this Agreement, but such other provisions shall remain in full force and effect. If any provision of this Agreement is found to be unenforceable because overly broad, the Parties agree that said provision shall be enforced to the fullest extent permitted by law.

13. **Sufficiency of Consideration**. Employee understands that there is overlap between the consideration given to Employee for this Agreement and the consideration given to Employee for the Confidentiality Agreement, and confirms and agrees that the consideration provided by the Employer, the

receipt of which Employee hereby acknowledges, is adequate and sufficient consideration to bind Employee to both agreements.

14. **At Will Employment**. This Agreement shall not create any right to continued employment with the Employer or any of its subsidiaries, affiliates or franchisees, nor as limiting the right of the Employer, its subsidiaries, affiliates and/or franchisees to terminate Employee's employment. Employee's employment is at will, and may be terminated with or without cause and with or without prior notice. Furthermore, Employee understands and agrees that Franchisor is not his or her employer for any purposes whatsoever, and that Employer is solely responsible for the terms, conditions and compensation of his or her employment.

15. **Complete Agreement**. This Agreement and the Confidentiality Agreement contain the complete agreement between the Employer and Employee concerning the matters covered herein and supersede any prior agreement, representation or understanding, oral or written, between them concerning those matters.

16. **Third Party Beneficiary**. Employee and Employer intend that Franchisor shall be a third party beneficiary of this Agreement, shall have all of the same rights of enforcement under this Agreement as Employer, and shall be entitled to all of the remedies provided by this Agreement to the same extent and under the same circumstances as Employer. Employee irrevocably consents to: (a) enforcement of this Agreement by Franchisor; and (b) the jurisdiction and venue of the federal and state courts located in Hillsborough County, Florida if the Franchisor enforces this Agreement.

Intending to be bound, Employer and Employee sign below:

| ***ENTER NAME OF FRANCHISEE:*** | **THE "EMPLOYEE":** |
|---|---|
| Signature:________________ | Signature: ________________ |
| Name:________________ | Full Name:________________ |
| Title: ________________ | Title:________________ |
| Date:________________ | Date: ________________ |

**EXHIBIT F-2 TO THE DISCLOSURE DOCUMENT**

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**FORM OF CONFIDENTIALITY,**

**NON-SOLICITATION AND ASSIGNMENT**

**OF INVENTIONS AGREEMENT**

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**CONFIDENTIALITY, NON-SOLICITATION AND**
**ASSIGNMENT OF INVENTIONS AGREEMENT**

This Confidentiality, Non-solicitation and Assignment of Inventions Agreement (the "**Agreement**") is entered into by and between: ***ENTER NAME OF FRANCHISEE*** ("**Employer**") and ______________ ____________ ("**Employee**"), and is effective as of ______________ ___, 20___ (the "**Effective Date**").

Employer is a franchisee operating a BURGER 21® Restaurant (the "**Restaurant**") under a Franchise Agreement (the "**Franchise Agreement**") with Burger 21 International, Inc. (the "**Franchisor**").

In consideration of the employment or continued employment of Employee by Employer and other good and valuable consideration, the receipt and sufficiency of which Employee hereby acknowledges, Employer and Employee (collectively the "**Parties**") agree that:

1. **Confidential Information and other Business Interests.**

(a) Franchisor has developed and is continuing to develop confidential and proprietary business information, including, but not limited to: recipes; product specifications; other standards and characteristics of products and services provided; product analysis and research; other specifications; formats, methods, procedures and plans relating to products and services; operating techniques; the Restaurant's computer systems, intranet, databases and other information; selection, testing, training, skills and abilities of employees and other personnel; manner of operations; acquisition strategies; contracts; sales, costs, pricing, profit margins and other financial information; customer preferences; market research, analyses and data; self-analyses and analyses of competitors; business and marketing plans and strategies; technology; know-how; specialized training; testing methods; restaurant and business operating techniques; criteria and methods for obtaining licensing and meeting regulatory requirements; design and construction of restaurants; knowledge of and experience in the operating and franchising of restaurants in the Restaurant's particular market segment; other confidential information about the owners, employees, vendors, customers and others with whom the Franchisor and Employer has business relationships; Inventions as defined by Paragraph 6 of this Agreement; trade practices; trade secrets; and any other information that is marked confidential or identified as confidential by separate memorandum, email or other communication (all of the above referred to collectively as the "Confidential Information"). The Franchisor has granted the Employer access to the Confidential Information and the Employer is obligated to ensure that its employees with access to it also maintain its confidentiality.

(b) The Confidential Information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons and entities that can obtain economic value from its disclosure or use;

(c) Some or all of the Confidential Information constitutes "trade secrets" as defined in FLA. STAT. § 688.002(4) and similar statutes of other states, and is valuable confidential business information;

(d) The Employer has developed substantial relationships with specific prospective and existing customers, vendors, contractors, employees, subsidiaries, affiliates and business partners based on the goodwill associated with the Franchisor and its trademarks;

(e) The Employee's job duties include developing and maintaining substantial relationships with specific prospective and existing customers, vendors, contractors, employees, subsidiaries, affiliates and/or business partners;

(f) The Franchisor has developed substantial goodwill associated with the operation of restaurants (like the Restaurant) operating under its trademarks;

(g) The Franchisor or Employer has provided, or will provide, the Employee with extraordinary and specialized training, which training is unique or highly uncommon;

(h) The Franchisor has invested considerable time, funds and resources in creating, developing and maintaining the Confidential Information, its relationships and its good will, and in training; and

(i) Each of the foregoing is a legitimate business interest of both Employer and Franchisor.

(j) Subparagraph 1(g) is intended only to identify one of the Franchisor's or Employer's legitimate protectable business interests, and is not intended to, and does not, create any obligation on the part of the Franchisor or Employer to provide training to Employee or any right of the Employee to receive such training.

2. **Restrictive Covenants**. Employee further agrees that:

(a) Employee will not, during or after Employee's employment with Employer, use or disclose the Confidential Information or any part thereof, except for the benefit of the Franchisor or Employer and in connection with the performance of services rendered to the Franchisor or Employer, or make any unauthorized copies (including but not limited to electronic copies) of any Confidential Information;

(b) Employee will comply with all procedures prescribed by the Employer to prevent unauthorized use or disclosure of Confidential Information;

(c) Employee will not, during Employee's employment with Employer and for a period of twenty-four (24) months following the termination of said employment, recruit or solicit for employment by anyone other than the Employer, or hire, employ or engage the services of, any current employee or independent contractor of the Franchisor or Employer or any of its subsidiaries, affiliates or franchisees, or solicit any such employee or independent contractor to leave employment with or to sever his, her or its relationship with the Employer or any of its subsidiaries, affiliates or franchisees; and

(d) Employee will not, directly or indirectly, recruit, train, supervise, encourage or assist others to engage in any of the activities proscribed in this Paragraph 2.

(e) During the course of Employee's employment with Employer and for a period of twenty-four (24) months thereafter, Employee shall inform any actual or prospective employer of the existence of this Agreement and the fact that it contains the restrictive covenants set forth above and below, and shall take all reasonable steps necessary to furnish any such actual or prospective employer with a copy of this Agreement.

(f) For purposes of this Paragraph 2, a "current" employee or independent contractor is an employee or independent contractor who or which has provided goods or services to the

Employer or Franchisor or any of its subsidiaries, affiliates or franchisees, within the two years preceding either the termination of Employee's employment with Employer or Employee engaging in any conduct prohibited by this Agreement. For purposes of this Paragraph 2, a "prospective" employee or independent contractor includes any person or entity the Employer or any of its subsidiaries, affiliates or franchisees has contacted, or attempted to contact, for the purpose of engaging his, her or its services, within the two years preceding either the termination of Employee's employment with Employer, or Employee engaging in any conduct prohibited by this Agreement, and also includes any person or entity as to which, during said time period, the Employer or any of its subsidiaries, affiliates or franchisees has engaged in any evaluation, planning or other activities relating to the possibility of establishing a business relationship.

(g) The time periods of the restrictions in this Paragraph 2 will be automatically extended by any length of time during which Employee is in breach of any provision of this Agreement.

3. **Protection of Business Interests**. Employee agrees that the restrictions in Paragraph 2 of this Agreement are reasonable and necessary for the protection of the legitimate business interests of both Employer and Franchisor, and that the restrictions will not unduly interfere with Employee's opportunity for gainful employment.

4. **Documents and Other Property**. All written documents, electronically stored documents, lists, computer programs, computer software, computer hardware, other media for storing electronic information, keys, equipment, Confidential Information, other documents relating to the business of the Employer or Franchisor, and all other things, tangible and intangible, prepared or obtained by Employee or that come into Employee's possession during employment with Employer, which relate to the business of the Employer or Franchisor, shall be the sole and exclusive property of the Employer or Franchisor and Employee shall, at the end of Employee's employment with Employer, or at any time upon request of the Employer or Franchisor, promptly deliver all such materials to the Employer or Franchisor. In addition, upon termination of Employee's employment, regardless of whether the termination is voluntary or involuntary or with or without cause, Employee shall promptly return to the Employer or Franchisor any and all materials, equipment and property furnished to Employee, including all copies of such materials.

5. **Works Made for Hire**. Any work that Employee creates or helps create at the request of the Employer, including software, user manuals, training materials, sales materials, recipes and other written and visual works, are works for hire in which Employer and/or its Franchisor owns the copyright. Employee may not reproduce or publish these works, except on behalf of the Employer in the pursuit of Employee's employment duties.

6. **Inventions**. Every improvement, product, recipe, process, apparatus, method, design or work made for hire (collectively the "Inventions") that Employee may at any time make, devise, or conceive, individually or jointly with others, during the period of Employee's employment with Employer, whether during business hours or otherwise, that relate in any manner to the business of the Employer, or that may be useful to the Employer in connection with the Employer's business, shall (solely as between the Employer and the Employee) be the exclusive property of the Employer. Employee will make full and prompt disclosure to the Employer of every such Invention. Employer shall have the sole and exclusive right to patent or copyright all Inventions, and Employee shall take whatever lawful steps the Employer may request to assist it in obtaining patents and/or copyrights covering the Inventions, without charge to the Employer or any of its subsidiaries, affiliates or franchisees. Nothing in Paragraphs 5 and 6 limits or effects the Employer's obligations to the Franchisor under the Franchise

Agreement relating to such Inventions, which will constitute Improvements to be the property of the Franchisor. If there are any Inventions that Employee owned or developed before becoming employed by the Employer and to which Employee claims ownership, Employee has listed them here: ____________

________________________________________________________________________________.

7. **Prior Employers and Agreements**. Employee represents and warrants that Employee is not in possession or control of any trade secrets or confidential and proprietary information belonging to any of Employee's previous employers or business associates, and that neither employment by Employer nor the terms of this Agreement will cause Employee to breach any agreement with, or obligation owed to, a third party. Employee agrees that Employee will not disclose to the Employer, or use in the course of employment with Employer, any trade secrets or confidential and proprietary information belonging to any of Employee's previous employers and business associates. Employee has provided the Employer with copies of all agreements under which Employee has agreed to any restrictions on employment, on use or disclosure of confidential information or trade secrets, or on solicitation. Employee shall hold harmless and indemnify the Employer and Franchisor from and against any claim, demand, or loss asserted by any third party resulting from any breach by Employee of any agreement or obligation owed by Employee to any such third party, including any attorneys' fees and costs incurred by the Employer in connection with any such claim.

8. **Survival**. The covenants in this Agreement are independent covenants, separate and apart from any other agreements, covenants or obligations between the Parties. The breach of any agreements, covenants or obligations not contained in this Agreement shall not be a defense to enforcement of this Agreement. The provisions of this Agreement survive any termination of the employment relationship between Employee and Employer. Further, all of the restrictive covenants contained in this Agreement remain effective regardless of whether Employee's employment is terminated voluntarily or involuntarily, or with or without cause.

9. **Other Breach**. If the Employee becomes aware, during Employee's employment with Employer, of facts or circumstances which suggest that another existing or former employee or independent contractor of the Employer, or other person or entity, has used or disclosed or is using or disclosing Confidential Information, or has violated or is violating the terms of any agreement with the Employer, Employee shall immediately notify the Chief Executive Officer or the Employer and the Franchisor's Vice President of People (or their successors) in writing of such facts and circumstances.

10. **Remedies**. Employee agrees that in the event of an actual or threatened breach of the provisions of this Agreement, Employer or Franchisor or both Employer and Franchisor shall be entitled to:

(a) An ex parte, preliminary, and/or permanent injunction restraining Employee from using or disclosing, in whole or in part, the Confidential Information, from rendering any services to any person, firm, corporation, association or other entity to whom said Confidential Information, in whole or in part, has been disclosed or is threatened to be disclosed, and/or restraining Employee from violating the provisions of this Agreement, without the requirement for the posting of a bond (except where the posting of a bond is a non-waivable requirement of applicable law);

(b) Damages; and

(c) Any other legal or equitable remedies available to it.

In addition to the remedies described above, during any period of time in which Employee is in breach of this Agreement, Employer will not be required to pay any compensation to Employee except the minimum amount required to be paid under the Fair Labor Standards Act and any other applicable statute or regulation.

Further, if Employee violates subparagraph 2(c) of this Agreement, or recruits, trains, supervises, encourages or assists another person or entity in engaging in activities proscribed by subparagraph 2(c) of this Agreement, then, in addition to the remedies described above, Employee must immediately pay to the Employer an amount equal to ½ of the total annualized cash compensation the Employer was paying to Employee during the most recent year of Employee's employment, as liquidated damages. The liquidated damage amount is intended to compensate the Employer for recruiting, training and replacement costs. Employee agrees that it would be difficult to determine and prove the amount of actual damages resulting from a violation of subparagraph 2(c), and that the liquidated damages amount is reasonable.

11. **Expenses**. In the event that Employer or Franchisor initiates legal proceedings to enforce the terms of this Agreement, the prevailing party shall be entitled to recover all expenses (including discovery and other court costs and attorneys' fees) incurred in connection with those proceedings and any appeal from those proceedings.

12. **Waiver of Terms**. No waiver or modification of any provision of this Agreement will be valid unless in writing and signed by an authorized representative of Employer.

13. **Choice of Law**. This Agreement is governed by the laws of the state in which the Employer's Restaurant is located.

14. **Waiver of Jury Trial**. Employee waives any right he or she may have to a trial by jury of any dispute arising under this Agreement.

15. **Assignment**. This Agreement survives any change in the Employer's or Franchisor's ownership, any merger or consolidation and any sale of substantially of the Employer's or Franchisor's assets. Employee consents to enforcement of this Agreement by any of the Employer's or Franchisor's successors, transferees or assignees. Employee may not assign any of Employee's rights or delegate any of Employee's responsibilities hereunder.

16. **Savings Clause**. If any of the provisions of this Agreement are determined to be in violation of any law, rule or regulation, or are otherwise ruled to be unenforceable, such determination shall not affect any other clauses of this Agreement, but such other provisions shall remain in full force and effect. If any provision of this Agreement is found to be unenforceable because overly broad, the Parties agree that said provision shall be enforced to the fullest extent permitted by law.

17. **At Will Employment**. This Agreement shall not create any right to continued employment with the Employer or any of its subsidiaries, affiliates or franchisees, nor as limiting the right of the Employer, its subsidiaries, affiliates and/or franchisees to terminate Employee's employment. Employee's employment is at will, and may be terminated with or without cause and with or without prior notice. Furthermore, Employee understands and agrees that Franchisor is not his or her employer for any purposes whatsoever, and that Employer is solely responsible for the terms, conditions and compensation of his or her employment.

18 **Complete Agreement**. This Agreement (and, if applicable, the separate Noncompetition Agreement between Employee and the Employer) contains the complete agreement between the

Employer and Employee concerning the matters covered herein and supersedes any prior agreement, representation or understanding, oral or written, between them concerning those matters.

19. **Third Party Beneficiary**. Employee and Employer intend that Franchisor shall be a third party beneficiary of this Agreement, shall have all of the same rights of enforcement under this Agreement as Employer, and shall be entitled to all of the remedies provided by this Agreement to the same extent and under the same circumstances as Employer. Employee irrevocably consents to: (a) enforcement of this Agreement by Franchisor; and (b) the jurisdiction and venue of the federal and state courts located in Hillsborough County, Florida if the Franchisor enforces this Agreement.

Intending to be bound, Employer and Employee sign below:

| ***ENTER NAME OF FRANCHISEE:*** | **THE "EMPLOYEE":** |
|---|---|
| Signature:______________________ | Signature:______________________ |
| Name:______________________ | Full Name:______________________ |
| Title:______________________ | Title:______________________ |
| Date:______________________ | Date:______________________ |

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**

**MANUALS**

**TABLES OF CONTENTS**

## OPERATIONS MANUAL TABLE OF CONTENTS

## MARKETING MANUAL TABLE OF CONTENTS

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**EXHIBIT H TO THE DISCLOSURE DOCUMENT**

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**PRINCIPAL OWNER'S GUARANTY**

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## PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by the principal owners (referred to as "you" for purposes of this Guaranty only) of ____________________ (the "**Business Entity**") under the ________________________________________ Agreement dated ________________ (the "**Agreement**") with **BURGER 21 INTERNATIONAL, INC.** ("**us**," or "**our**" or "**we**").

1. **Scope of Guaranty**. In consideration of and as an inducement to our signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: (a) guarantee to us and our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

2. **Waivers**. Each of you waive: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

3. **Consents and Agreements**. Each of you consent and agree that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

4. **Enforcement Costs**. If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

5. **Effectiveness**. Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Florida law and we may enforce our rights regarding it in the courts of Hillsborough County, Florida. Each of you irrevocably submits to the jurisdiction and venue of such courts. In addition, each of you consent to and agree to abide by the dispute resolution provisions of the Agreement, including the provisions regarding participation in mediation and binding arbitration.

Each of you irrevocably agrees to participate in any arbitration proceedings and to be bound by the arbitration rulings otherwise described in the Agreement. Each of you now sign and deliver this Guaranty effective as of the date of the Agreement regardless of the actual date of signature.

**GUARANTORS**

______________________________

______________________________

DATE ________________________

**EXHIBIT I TO THE DISCLOSURE DOCUMENT**

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**FORM OF**

**PRINCIPAL OWNER'S STATEMENT**

---

## PRINCIPAL OWNER'S STATEMENT

This form must be completed and signed by the Franchisee and/or Developer, _______________________________________ (the "**Business Entity**"), and each of its principal owners under the ____________________ Agreement dated _______________, 20___ (the "**Agreement**") with **BURGER 21 INTERNATIONAL, INC.** (the "**Franchisor**"), if the Business Entity has multiple owners or if the Business Entity or the franchised business is owned by another/other business organization (such as a corporation, partnership or limited liability company). Franchisor is relying on the truth and accuracy of this form in awarding the Franchise Agreement to Franchisee.

1. **Form of Owner**. Franchisee is a (check one):

(a) General Partnership ☐
(b) Corporation ☐
(c) Limited Partnership ☐
(d) Limited Liability Company ☐
(e) Other ☐
Specify: ________________________

2. **Business Entity**. Franchisee was incorporated or formed on _________________, ______ *(date)*, under the laws of the State of _______________. Franchisee has not conducted business under any name other than this corporation, limited liability company or partnership name and ________________________ *(Entity Name)* . The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) relative to Franchisee and their positions are listed below:

| Name of Person | Position(s) Held |
|---|---|
| | |
| | |
| | |
| | |

3. **Owners**. The following list includes the full name and mailing address of each person who is one my owners and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

| Owner's Name and Address | Description of Interest | % of Ownership |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

3. **Governing Documents**. Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization of Franchisee (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.).

This Owner's Statement is current and complete as of _______________, 20__.

**FRANCHISEE:**

______________________________________

By: ___________________________________
Name:_________________________________
Title:_________________________________
Date:_________________________________

**OWNERS:**

**Individuals:**

______________________________________
*(Signature)*

______________________________________
*(Print Name)*
Date:_________________________________

______________________________________
*(Signature)*

______________________________________
*(Print Name)*
Date:_________________________________

______________________________________
*(Signature)*

______________________________________
*(Print Name)*
Date:_________________________________

______________________________________
*(Signature)*

______________________________________
*(Print Name)*
Date:_________________________________

**Corporation, Limited Liabilty Company or Partnership:**

______________________________________
*(Name of Entity)*

By:___________________________________
Name:_________________________________
Title:_________________________________
Date:_________________________________

______________________________________
*(Name of Entity)*

By:___________________________________
Name:_________________________________
Title:_________________________________
Date:_________________________________

______________________________________
*(Name of Entity)*

By:___________________________________
Name:_________________________________
Title:_________________________________
Date:_________________________________

______________________________________
*(Name of Entity)*

By:___________________________________
Name:_________________________________
Title:_________________________________
Date:_________________________________

**EXHIBIT J TO THE DISCLOSURE DOCUMENT**

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**LIST OF STATE AGENCIES/AGENTS**

**FOR SERVICE OF PROCESS**

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This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states).

| STATE | STATE REGULATORY AGENCY | AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY |
|---|---|---|
| California | Department of Business Oversight<br>*Los Angeles*<br>320 West 4th Street<br>Suite 750<br>Los Angeles, CA 90013-2344<br>(213) 576-7500<br>*Sacramento*<br>1515 K Street<br>Suite 200<br>Sacramento, CA 95814-4052<br>(916) 445-7205<br>*San Diego*<br>1350 Front Street, Room 2034<br>San Diego, CA 92101-3697<br>(619) 525-4233<br>*San Francisco*<br>One Sansome Street, Suite 600<br>San Francisco, CA 94104-4428<br>(415) 972-8565 | |
| Hawaii | Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Commissioner of Securities<br>P.O. Box 40<br>Honolulu, Hawaii 96810<br>(808) 586-2744 | Commissioner of Securities<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813 |
| Illinois | Franchise Bureau<br>Office of Attorney General<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465 | |
| Indiana | Franchise Section<br>Indiana Securities Division<br>Secretary of State<br>Room E-111<br>302 W. Washington Street<br>Indianapolis, Indiana 46204<br>(317) 232-6681 | |
| Maryland | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-7042 | Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020 |

| STATE | STATE REGULATORY AGENCY | AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY |
|---|---|---|
| Michigan | Michigan Attorney General's Office<br>Consumer Protection Division<br>Attn: Franchise Section<br>525 W. Ottawa Street<br>Williams Building, 1st Floor<br>Lansing, MI 48933<br>(517) 373-7117 | |
| Minnesota | Minnesota Department of Commerce<br>Market Assurance Division<br>85 7th Place East, Suite 500<br>St. Paul, Minnesota 55101-2198<br>(651) 296-6328 | |
| New York | Office of the New York State Attorney General<br>Investor Protection Bureau of Franchise<br>120 Broadway, 23rd Floor<br>New York, NY 10271-0332<br>(212) 416-8236 | Attention: Uniform Commercial Code<br>New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, NY 12231-0001<br>(518) 473-2492 |
| North Dakota | North Dakota Securities Department<br>State Capitol 5th Floor, Dept. 414<br>600 East Boulevard Avenue<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | Securities Commissioner<br>North Dakota Securities Department<br>State Capitol 5th Floor, Dept. 414<br>600 East Boulevard Avenue<br>Bismarck, ND 58505-0510<br>(701) 328-4712 |
| Oregon | Department of Consumer & Business Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>Salem, Oregon 97310<br>(503) 378-4140 | |
| Rhode Island | Department of Business Regulation<br>Securities Division<br>1511 Pontiac Avenue<br>John O. Pastore Complex–69-1<br>Cranston, RI 02920-4407<br>(401) 462-9527 | |
| South Dakota | Division of Insurance<br>Securities Regulation<br>124 S. Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-3563 | |

| STATE | STATE REGULATORY AGENCY | AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY |
|---|---|---|
| Virginia | State Corporation Commission<br>1300 East Main Street<br>9th Floor<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk<br>State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219 |
| Washington | Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, WA 98507-9033<br>(360) 902-8760 | Department of Financial Institutions<br>150 Israel Road SW<br>Tumwater, WA 98501 |
| Wisconsin | Division of Securities<br>Department of Financial Institutions<br>Post Office Box 1768<br>Madison, Wisconsin 53701<br>(608) 266-2801 | |

**EXHIBIT K TO THE DISCLOSURE DOCUMENT**

**FORM OF**

**STATE ADDENDA AND RIDERS**

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**STATE OF CALIFORNIA**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. ITEM 5 of the Disclosure Document is amended to add the following:

The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business. The California Department of Business Oversight has imposed this deferral requirement due to our financial condition.

3. ITEM 17 of the Disclosure Document is amended to add the following:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the term of the agreement. This provision might not be enforceable under California Law.

The Franchise Agreement contains a liquidated damages clause. Under California Law, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires litigation to be conducted in a court located in the State of Florida. This provision might not be enforceable for any cause of action arising under California Law.

The Franchise Agreement requires application of the laws of the State of Florida. This provision might not be enforceable under California Law.

The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in ITEM 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

4. The following URL address is for the franchisor's website:

www.burger21.com

FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

**BURGER 21 INTERNATIONAL, INC.**
**CALIFORNIA ADDENDUM TO**
**FRANCHISE AGREEMENT**

This Addendum to the Franchise Agreement, agreed to this ___day of _________, 20___, is by and between **BURGER 21 INTERNATIONAL, INC.** ("**we**" or "**us**" or "**our**") with its principal office at 8810 Twin Lakes Boulevard, Tampa, Florida 33614, and ______________________________________________________________.

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for **BURGER 21 INTERNATIONAL, INC.** is amended as follows:

The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business. The California Department of Business Oversight has imposed this deferral requirement due to our financial condition.

The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement that may supersede provisions in the Franchise Agreement.

The section which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

The section which contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.

New Section 17.8 is inserted into the Franchise Agreement and states as follows:

> If termination is the result of Franchisee's default, Franchisee shall pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fee payments for: (a) the twenty-four (24) calendar months of operation of Franchisee preceding Franchisee's default; (b) the period of time Franchisee has been in operation preceding the notice, if less than twenty-four (24) calendar months, projected on a twenty-four (24) calendar month basis; or (c) any shorter period as equals the unexpired term at the time of termination. The parties acknowledge that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult and the parties desire certainty in this matter and acknowledge that the lump sum payment provided under this Section is reasonable in light of the damages for premature termination that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have, including attorneys' fees and costs.

The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

The Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.

The section which requires binding arbitration. The arbitration will occur at the forum indicated in the section with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

This Addendum contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

2. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| **US:** | **YOU:** |
| **BURGER 21 INTERNATIONAL, INC.** | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Title: ______________________________ | Title: ______________________________ |
| Date: ______________________________ | Date: ______________________________ |

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**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**<u>FOR THE STATE OF ILLINOIS</u>**

ITEM 5: The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act, 815 ILCS 705 governs.

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

Section 41 of the Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of the State of Illinois is void.

Illinois law governs the Franchise Agreement (without regard to conflict of laws), and jurisdiction and venue for court litigation shall be in Illinois.

Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.

ITEM 17 of the Disclosure Document is amended to add the following:

> The conditions under which a franchise can be terminated and your rights upon non-renewal may be affected by the Illinois Franchise Disclosure Act of 1987.
>
> The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

**BURGER 21 INTERNATIONAL, INC.**
**ILLINOIS ADDENDUM TO**
**FRANCHISE AGREEMENT**

**THIS ADDENDUM** to the Franchise Agreement (the "**Addendum**"), is effective as of this ___ day of ________, 20___, (the "**Effective Date**"), and amends the Franchise Agreement dated ________________, 20__ (the "**Agreement**") between **BURGER 21 INTERNATIONAL, INC.** ("**we**," "**us**" or "**our**") with its principal office at 8810 Twin Lakes Boulevard, Tampa, Florida 33614, and __________ __________________ ("**you**," "**your**" or "**Franchise Owner**"), whose mailing address is ______________ ________________________________.

1. **Precedence and Defined Terms**. This Addendum is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Addendum supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Addendum have the meanings as defined in the Agreement.

2. **Initial Franchise Fee**. The payment of the initial franchise fee and any other initial fees payable to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

3. **Limitation of Claims**. No action can be maintained to enforce any liability created by the Illinois Franchise Disclosure Law unless brought before the earlier of (i) the expiration of 3 years from the act or transaction constituting the violation upon which such action is based; (ii) the expiration of 1 year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Illinois Franchise Disclosure Law; or (iii) 90 days after delivery to you of a written notice disclosing the violation.

4. **Governing Law/Consent to Jurisdiction**. All matters coming under the Illinois Act will be governed by the Illinois Act. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois for all matters coming under the Illinois Act. Illinois law governs the agreement(s) between the parties to this franchise. Any provision in the Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void.

5. **Entire Agreement**. Nothing in this Agreement, or any related agreements(s), is intended to disclaim the expressed representations made in the Franchise Disclosure Document.

6. **Effective Date**. This Addendum is effective on the Effective Date regardless of the actual date of signature.

Intending to be bound, the parties sign and deliver this Addendum to each other as shown below:

| | |
|---|---|
| **US:** | **YOU:** |
| **BURGER 21 INTERNATIONAL, INC.** | ______________________________ |
| By: ____________________________ | By: ____________________________ |
| Title: __________________________ | Title: __________________________ |
| Date: __________________________ | Date: __________________________ |

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**BURGER 21 INTERNATIONAL, INC.**
**ILLINOIS ADDENDUM TO**
**AREA DEVELOPMENT AGREEMENT**

**THIS ADDENDUM** to the Area Development Agreement (the "**Addendum**"), is effective as of this ___ day of ________, 20___, (the "**Effective Date**"), and amends the Area Development Agreement dated ________________, 20__ (the "**Agreement**") between **BURGER 21 INTERNATIONAL, INC.** ("**we**," "**us**" or "**our**") with its principal office at 8810 Twin Lakes Boulevard, Tampa, Florida 33614, and ________________ ________________ ("**you**," "**your**" or "**Developer**"), whose mailing address is____________________ ________________________.

1. **Precedence and Defined Terms**. This Addendum is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Addendum supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Addendum have the meanings as defined in the Agreement.

2. **Development Fee**. The payment of the development fee and any other initial fees payable to us is deferred until we have satisfied all of our pre-opening obligations to you as an Area Developer and you have commenced doing business as an Area Developer. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

2. **Limitation of Claims**. No action can be maintained to enforce any liability created by the Illinois Franchise Disclosure Law unless brought before the earlier of (i) the expiration of 3 years from the act or transaction constituting the violation upon which such action is based; (ii) the expiration of 1 year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Illinois Franchise Disclosure Law; or (iii) 90 days after delivery to you of a written notice disclosing the violation.

3. **Governing Law/Consent to Jurisdiction**. All matters coming under the Illinois Franchise Disclosure Law will be governed by the Illinois Franchise Disclosure Law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois for all matters coming under the Illinois Franchise Disclosure Law. Illinois law governs the agreement(s) between the parties to this franchise. Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Law or any other law of the State of Illinois is void.

4. **Entire Agreement**. Nothing in this Agreement, or any related agreement(s), is intended to disclaim the expressed representations made in the Franchise Disclosure Document.

5. **Construction**. The preambles to this Agreement are a part of this Agreement, which constitutes the entire Agreement of the parties, and there are no other oral or written understandings, except for or other than those contained in the Franchise Disclosure Document, or agreements between us and Developer relating to the subject matter of this Agreement as of the date of this Agreement other than as may be specifically referenced herein.

6. **Effective Date**. This Addendum is effective on the Effective Date regardless of the actual date of signature.

Intending to be bound, we and the Developer sign and deliver this Addendum to each other as shown below:

| | |
|---|---|
| **US:** | **DEVELOPER:** |
| **BURGER 21 INTERNATIONAL, INC.**<br>a Florida corporation | ________________________<br>If a corporation, limited liability company or partnership. |
| By:________________________ | By:________________________ |
| Name: ________________________ | Name:________________________ |
| Title:________________________ | Title:________________________ |
| Date: ________________________ | Date: ________________________ |

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**STATE OF MARYLAND**

1. Item 5 is amended by the addition of the following language:

   The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

2. Item 17 is amended by the addition of the following language:

   No General release required as a condition of renewal, sale, assignment or transfer will apply to any liability arising under the Maryland Franchise Registration and Disclosure Law (**"Maryland Law"**).

2. Item 17, summary column for (c) as to the Unit Franchise Program is amended to read as follows:

   Give us written notice no later than the 16th month and no sooner than the 19th month from the expiration of the franchise agreement, maintain premises or secure substitute premises, remodel, sign new license and other documents and pay fee, except that pursuant to COMAR 02.0208.16L any release will not apply to any liability arising under the Maryland Franchise Registration and Disclosure Law (**"Maryland Law"**).

3. Item 17, summary column for (m) as to the Unit Franchise Program is amended to read as follows:

   You are in full compliance, new franchisee qualifies, you pay us all amounts due, training completed, transferee signs assignment and assumption and new license, transfer fee paid, we approve material terms, you de-identify yourself and you sign other documents we require, including releases (also see r below), except that pursuant to COMAR 02.0208.16L any release will not apply to any liability arising under the Maryland Franchise Registration and Disclosure Law. If you have signed a Successor Franchise Addendum, any transferee must sign a new license.

4. Item 17, summary column for (v) as the Unit Franchise Program is amended to read as follows:

   Litigation in the county and state where Franchisor's principal headquarters are located; venue under the Membership Agreement will be in the state in which the marketing cooperative entity is formed, except for matters arising under the Maryland Franchise Registration and Disclosure Law.

5. Item 17, summary column for (w) of the Unit Franchise Program is amended to read as follows:

   Florida law applies (subject to federal law); The Membership Agreement is governed by the law of the state in which the marketing cooperative entity is formed except for matters arising under the Maryland Franchise Registration and Disclosure Law (for which a franchisee may sue in Maryland).

6. Item 17, summary column for (c) of the Area Development Program is amended to read as follows:

   You must be in good standing under your Development Agreement and all Franchise Agreements with us, enter into a Successor Area Development Agreement and pay the development fee and sign a general release, except that pursuant to COMAR 02.0208.16L any release will not apply to any liability arising under the Maryland Franchise Registration and Disclosure Law.

7. Item 17, summary column for (m) of the Area Development Program is amended to read as follows:

All of your obligations being assumed by the assignee, the assignee signs an approved assignment and assumption agreement, our current form of Developer Agreement and ancillary agreements, pay the assignment fee, you sign a general release except for matters coming under Maryland Franchise Registration and Disclosure Law, we approve the assignment, you sign a Noncompete agreement, and you subordinate any installments of the purchase price.

8. Item 17, summary column for (v) of the Area Development Program is amended to read as follows:

Litigation in the county and state where our principal headquarters are located, except for matters coming under Maryland Franchise Registration and Disclosure Law.

9. Item 17, summary column for (w) of the Area Development Program is amended to read as follows:

Florida law applies (subject to federal law), except for matters coming under Maryland Franchise Registration and Disclosure Law.

10. Item 17 is amended by the additional language at the end of the Item:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

**MARYLAND RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**FRANCHISE AGREEMENT**

This Rider is entered into this _____ day of _________________, ______, by and between **BURGER 21 INTERNATIONAL, INC.** (**"we"** or **"us"** or **"our"**) and ___________________________________________ (**"you," "your"** or **"Franchise Owner"**)

1. **Background**. We and the Franchise Owner are parties to that BURGER 21® Franchise Agreement dated ______________________, 20__ (the **"Agreement"**) that has been signed concurrently with the signature on this Rider.

2. **Initial Franchise Fee**. The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

3. **Governing Law and/or Consent to Jurisdiction**. Sections 19.7 and 19.8 are amended in their entirety to read as follows:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, et seq.), any other applicable federal law, or the Maryland Franchise Registration and Disclosure Law (the **"Maryland Law"**), this Agreement and the Franchise shall be governed by the laws of the State of Florida, the state in which we are headquartered, all financial obligations of the Franchise Owner are required to be paid, and this Agreement is deemed to have been executed. Franchise Owner consents and irrevocably submits to the jurisdiction and venue of any state or federal court of competent jurisdiction located in the county and state where our principal headquarters are located and waives any objection to the jurisdiction and venue of such courts, except for matters coming under the Maryland Law.

4. **Representations**. No provision of the Agreement is intended to, nor will it, act as a release, estoppel or waiver of any liability incurred under the Maryland Law.

5. **General Release**. No general release required as a condition of renewal, sale, assignment or transfer will apply to any liability under the Maryland Law.

6. **Representations**. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Law.

7. **Limitation of Claims**. Any claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.

**IN WITNESS WHEREOF**, the parties have executed, sealed and delivered this Rider in ________ counterparts on the day and year first above written.

| **FRANCHISE OWNER:** | **BURGER 21 INTERNATIONAL, INC.** |
|---|---|
| ______________________ | By: ______________________ |
| Name: ______________________ | Name: ______________________ |
| Title: ______________________ | Title: ______________________ |
| Date: ______________________ | Date: ______________________ |

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**MARYLAND RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**AREA DEVELOPMENT AGREEMENT**

This Rider is entered into this _____ day of ________________, 20__, by and between **BURGER 21 INTERNATIONAL, INC.** ("**we**" or "**us**" or "**our**") and ___________________________________ ("**you**" or "**your**" or the "**Developer**").

1. **Background**. We and the Developer are parties to that BURGER 21® Area Development Agreement dated ____________________, ______ (the "**Agreement**") that has been signed concurrently with the signature on this Rider.

2. **Development Fee**. The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

3. **Governing Law and/or Consent to Jurisdiction**. Sections 9.7 and 9.8 are amended in their entirety to read as follows:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, et seq.), any other applicable federal law, or the Maryland Franchise Registration and Disclosure Law (the "**Maryland Law**"), this Agreement and the Franchise shall be governed by the laws of the State of Florida, the state in which we are headquartered, all financial obligations of the Developer are required to be paid, and this Agreement is deemed to have been executed. Developer consents and irrevocably submits to the jurisdiction and venue of any state or federal court of competent jurisdiction located in the county and state where our principal headquarters are located and waives any objection to the jurisdiction and venue of such courts, except for matters coming under the Maryland Law.

4. **Representations**. No provision of the Agreement is intended to, nor will it, act as a release, estoppel or waiver of any liability incurred under the Maryland Law.

5. **General Release**. No general release required as a condition of renewal, sale, assignment or transfer will apply to any liability under the Maryland Law.

6. **Limitation of Claims**. Any claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.

**IN WITNESS WHEREOF**, the parties have executed, sealed and delivered this Rider in _______ counterparts on the day and year first above written

| **US:** | **DEVELOPER:** |
|---|---|
| **BURGER 21 INTERNATIONAL, INC.**<br>a Florida corporation | ______________________________<br>If a corporation, limited liability company or partnership. |
| By: ______________________________ | By: ______________________________ |
| Name: ______________________________ | Name: ______________________________ |
| Title: ______________________________ | Title: ______________________________ |
| Date: ______________________________ | Date: ______________________________ |

**MARYLAND RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**<u>FRANCHISE COMPLIANCE CERTIFICATION</u>**

The following is added to the Franchise Compliance Certification:

> All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**FRANCHISEE APPLICANT:**

______________________________

Date:___________________________

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**STATE OF MINNESOTA**

1. ITEMS 5 and 7 of the Disclosure Document are amended to add the following language:

   The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

2. ITEM 13 of the Disclosure Document is amended as follows:

   As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), franchisor will reimburse the franchisee for any costs incurred by the franchisee in the defense of the franchisee's right to use the Marks, so long as the franchisee was using the Marks in the manner authorized by franchisor, and so long as franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

3. ITEM 17 of the Disclosure Document is amended as follows:

   With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

4. ITEM 17 does not provide for a prospective general release of any claims against Franchisor that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

5. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

5. Item 17, summary columns for (m), (u), (v) and (w) are amended to add the following:

   Except for matters coming under the Minnesota Franchise Laws.

**MINNESOTA RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**FRANCHISE AGREEMENT**

This Rider is entered into this _____ day of _______________, 20__, by and between **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation ("**we**" or "**us**" or "**our**") and _______________________________________________ ("**you**" or "**your**" or "**Franchise Owner**").

1. **Background**. We and the Franchise Owner are parties to that certain Franchise Agreement dated _________________________, 20__ (the "**Agreement**") that has been signed concurrently with the signature of this Rider. This Rider is annexed to and forms part of the Agreement.

2. **Initial Franchise Fee**. The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

3. **Renewal Rights**. The following is added as the last sentence in Section 15.3:

   **FRANCHISEE** and its Owners must execute general releases, in form and substance satisfactory to us, of any and all claims against us, and our Affiliates, officers, directors, employees, agents, successors and assigns, except for matters coming under the Minnesota Franchise law.

4. **Termination of Agreement**. The following is added at the beginning of Section 16:

   Minnesota Law provides you with certain termination and non-renewal rights. Minn. Stat. §80C.14 Subd. 3, 4 and 5 require, except in certain case, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

5. **Governing Law**. The following sentence is added at the end of Sections 19.7 and 19.8:

   MINN. STAT. §80C.21 AND MINN. RULE 2860.4400J PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE ANY OF YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, OR YOUR RIGHTS TO ANY PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.

6. **Injunctive Relief**. Nothing in the Agreement is construed to mean that you are consenting to our obtaining injunctive relief. We may, however, seek injunctive relief. The court will determine if a bond is required.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Rider in 2 counterparts on the day and year first above written.

**US:**

**BURGER 21 INTERNATIONAL, INC.**
a Florida corporation

By:_______________________________
Name: _____________________________
Title:______________________________
Date:______________________________

**FRANCHISE OWNER:**

______________________________
If a corporation, limited liability company or partnership.

By:_______________________________
Name:_____________________________
Title:______________________________
Date:______________________________

**MINNESOTA RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**<u>AREA DEVELOPMENT AGREEMENT</u>**

This Rider is entered into this _____day of _______________, 20__, by and between **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation ("**we**" or "**us**" or "**our**") and ______________________________________________________________ ("**you**" or "**your**" or "**Developer**").

1. **<u>Background</u>**. We and the Developer are parties to that certain Area Development Agreement dated __________________________, 20__ (the "**Agreement**") that has been signed concurrently with the signature of this Rider. This Rider is annexed to and forms part of the Agreement.

2. **<u>Development Fee</u>**. The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

3. **<u>Termination of Agreement</u>**. The following is added at the beginning of Section 7:

Minnesota Law provides you with certain termination and non-renewal rights. Minn. Stat. §80C.14 Subd. 3, 4 and 5 require, except in certain case, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Agreement.

4. **<u>Governing Law</u>**. The following sentence is added at the end of Section 9.7:

MINN. STAT. §80C.21 AND MINN. RULE 2860.4400J PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE ANY OF YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, OR YOUR RIGHTS TO ANY PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.

5. **<u>Injunctive Relief</u>**. Nothing in the Agreement is construed to mean that you are consenting to our obtaining injunctive relief. We may, however, seek injunctive relief. The court will determine if a bond is required.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Rider in 2 counterparts on the day and year first above written.

| | |
|---|---|
| **US:** | **DEVELOPER:** |
| **BURGER 21 INTERNATIONAL, INC.**<br>a Florida corporation | ________________________________<br>If a corporation, limited liability company or partnership. |
| By:______________________________ | By:______________________________ |
| Name:____________________________ | Name:____________________________ |
| Title:_____________________________ | Title:_____________________________ |
| Date:_____________________________ | Date:_____________________________ |

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**FOR USE IN NEW YORK**

1. **The following information is added to the cover page of the Franchise Disclosure Document:**

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. **The following is added at the end of Item 3:**

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. **The following is added to the end of Item 4:**

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. **The following is added to the end of Item 5:**

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. **The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":**

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. **The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":**

You may terminate the agreement on any grounds available by law.

7. **The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":**

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. **The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":**

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**FOR THE STATE OF NORTH DAKOTA**

1. ITEM 5 of the Disclosure Document is amended by the addition of the following language to the original language:

Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If we elect to cancel this Agreement, we will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

2. ITEM 17 of the Disclosure Document is amended to add the following:

No general release shall be required as a condition of renewal, termination and/or transfer which is intended to exclude claims arising under North Dakota Law.

In the case of any enforcement action, the prevailing party is entitled to recover all costs and expenses including attorneys' fees.

3. ITEMS 17(i) and 17(q) are amended to state that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

4. ITEM 17(v) is amended to state that a provision requiring litigation or arbitration to be conducted in a forum other than North Dakota is void with respect to claims under North Dakota Law.

5. ITEM 17(w) is amended to state in the event of a conflict of laws, North Dakota Law will control.

**NORTH DAKOTA RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**FRANCHISE AGREEMENT**

This Rider is entered into this _____day of _______________, 20__, by and between **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation ("**we**" or "**us**" or "**our**") and ______________________________ ______________________________________________ ("**you**" or "**your**" or "**Franchise Owner**").

1. **Background**. We and the Franchise Owner are parties to that certain Franchise Agreement dated ________________________, 20__ (the "**Agreement**") that has been signed concurrently with the signature of this Rider. This Rider is annexed to and forms part of the Agreement.

2. **Renewal Rights**. Franchisee is not required to sign a general release as to any matters coming under the North Dakota Franchise Investment Law (the "**ND Law**").

3. **Competitive Restrictions**. Covenants not to compete, such as those mentioned in in this section, are generally considered unenforceable in the state of North Dakota.

4. **Jurisdiction**. All matters coming under the ND Law may be brought in the courts of North Dakota.

5. **Governing Law**. This Agreement will be governed by and interpreted under the laws of North Dakota.

6. **Waiver of Punitive Damages**. Section 19.5 of the Franchise Agreement is deleted in its entirety.

7. **Waiver of Jury Trial**. Section 19.9 of the Franchise Agreement is deleted in its entirety.

8. **Limitation of Claims**. The statute of limitations under ND Law applies to all matters coming under ND Law.

9. **Costs and Attorneys' Fees**. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Rider in 2 counterparts on the day and year first above written.

**US:**

**BURGER 21 INTERNATIONAL, INC.**
a Florida corporation

By:______________________________
Name:____________________________
Title:_____________________________
Date:_____________________________

**FRANCHISE OWNER:**

______________________________
If a corporation, limited liability company or partnership.

By:______________________________
Name:____________________________
Title:_____________________________
Date:_____________________________

**MINNESOTA RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**AREA DEVELOPMENT AGREEMENT**

This Rider is entered into this _____ day of _______________, 20__, by and between **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation ("**we**" or "**us**" or "**our**") and ______________________________________________________________ ("**you**" or "**your**" or "**Developer**").

1. **Background**. We and the Developer are parties to that certain Area Development Agreement dated __________________________, 20__ (the "**Agreement**") that has been signed concurrently with the signature of this Rider. This Rider is annexed to and forms part of the Agreement.

2. **Jurisdiction**. All matters coming under the ND Law may be brought in the courts of North Dakota.

3. **Governing Law**. This Agreement will be governed by and interpreted under the laws of North Dakota.

4. **Waiver of Punitive Damages**. Section 9.5 of the Area Development Agreement is deleted in its entirety.

5. **Waiver of Jury Trial**. Section 9.9 of the Area Development Agreement is deleted in its entirety.

6. **Costs and Attorneys' Fees**. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Rider in 2 counterparts on the day and year first above written.

**US:**

**BURGER 21 INTERNATIONAL, INC.**
a Florida corporation

By: ______________________
Name: ______________________
Title: ______________________
Date: ______________________

**DEVELOPER:**

______________________
If a corporation, limited liability company or partnership.

By: ______________________
Name: ______________________
Title: ______________________
Date: ______________________

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**STATE OF RHODE ISLAND**

Item 17, summary columns for (v) and (w) are amended to add the following:

The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-1 through 34 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

**TEXAS RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**FRANCHISE AGREEMENT**

**THIS FIRST AMENDMENT** (this "**Amendment**") is effective as of ___________ (the "**Effective Date**"), and modifies the Franchise Agreement dated _______________ (the "**Agreement**") between **BURGER 21 INTERNATIONAL, INC.** ("**we**" or "**us**" or "**our**") and ___________________________, an individual whose principal address ___________________________ ("**you**" or '**your**" or "**Franchise Owner**"). (We and you are sometimes referred to collectively as the "**parties**" or singly as a "**party**").

1. **INCORPORATION AND PRECEDENCE**. This Amendment is incorporated into the Agreement and supersedes any conflicting provisions in it. Capitalized terms not otherwise defined in this Amendment have the meanings as defined in the Agreement.

2. **APPROVED BRANDS/ALCOHOLIC BEVERAGES**. The parties hereby acknowledge and agree that we do not intend to, and shall not exercise control over the storage, distribution, possession, transportation or sale of alcoholic beverages in violation of Section 109.53 of the Texas Alcoholic Beverage Code or any other provision of Texas law. Accordingly, notwithstanding anything to the contrary contained in Section 10.12 or any other provision of the Agreement, we may not require that the Franchise Owner stock or offer for sale any particular brand of alcoholic beverage in the Restaurant; provided, however, that we may make non-binding suggestions to the Franchise Owner as to which brands of alcoholic beverages meet our specifications and quality standards.

3. **REMAINING PROVISIONS UNAFFECTED**. Those parts of the Agreement that are not expressly modified by this Amendment remain in full force and effect. This Amendment will not be binding on us until it has been signed by one of our duly authorized officers or managers.

Intending to be bound, the Franchise Owner and we sign and deliver this Amendment in _____ counterparts effective on the Effective Date, regardless of the actual date of signature.

| **US:** | **FRANCHISE OWNER:** |
|---|---|
| **BURGER 21 INTERNATIONAL, INC.** | ___________________________ |
| By:___________________________ | By:___________________________ |
| Name:___________________________ | Name:___________________________ |
| Title:___________________________ | Title:___________________________ |
| Date:___________________________ | Date:___________________________ |

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**STATE OF VIRGINIA**

Item 5 is amended by the addition of the following language:

> The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

**VIRGINIA RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**FRANCHISE AGREEMENT**

This Rider is entered into this _____ day of _______________, 20__, by and between **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation (**"we"** or **"us"** or **"our"**) and ______________________________ _________________________________________ (**"you"** or **"your"** or **"Franchise Owner"**).

1. **Background**. We and the Franchise Owner are parties to that certain Franchise Agreement dated _________________________, 20__ (the **"Agreement"**) that has been signed concurrently with the signature of this Rider. This Rider is annexed to and forms part of the Agreement.

2. **Initial Franchise Fee**. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Rider in 2 counterparts on the day and year first above written.

**US:**

**BURGER 21 INTERNATIONAL, INC.**
a Florida corporation

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

**FRANCHISE OWNER:**

______________________________
If a corporation, limited liability company or partnership.

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

**VIRGINIA RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**AREA DEVELOPMENT AGREEMENT**

This Rider is entered into this _____day of _______________, 20__, by and between **BURGER 21 INTERNATIONAL, INC.**, a Florida corporation ("**we**" or "**us**" or "**our**") and___________________________ ______________________________________________ ("**you**" or "**your**" or "**Developer**").

1. **Background**. We and the Developer are parties to that certain Area Development Agreement dated _________________________, 20__ (the "**Agreement**") that has been signed concurrently with the signature of this Rider. This Rider is annexed to and forms part of the Agreement.

2. **Development Fee**. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the development agreement.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Rider in 2 counterparts on the day and year first above written.

| **US:** | **DEVELOPER:** |
| --- | --- |
| **BURGER 21 INTERNATIONAL, INC.**<br>a Florida corporation | ______________________________<br>If a corporation, limited liability company or partnership. |
| By:______________________________ | By:______________________________ |
| Name:____________________________ | Name:____________________________ |
| Title:_____________________________ | Title:_____________________________ |
| Date:_____________________________ | Date:_____________________________ |

**ADDENDUM**
**TO FRANCHISE DISCLOSURE DOCUMENT FOR**
**BURGER 21 INTERNATIONAL, INC.**
**STATE OF WASHINGTON**

The State of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement and the area development agreement in your relationship with us, including the area of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement and the area development agreement in your relationship with us including the area of termination and renewal of your franchise.

ITEM 5 of the Disclosure Document is amended to add the following:

> The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.
>
> Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

ITEM 17 of the Disclosure Document is amended to add the following:

> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
>
> A general release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act.
>
> Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
>
> Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
>
> The Franchise Agreement requires any litigation or arbitration to be conducted in a state other than Washington; the requirement shall not limit any rights franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.

**WASHINGTON RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**FRANCHISE AGREEMENT**

The State of Washington has a statute, RCW 19.100.180, which may supersede this Agreement in Franchise Owner's relationship with us, including the area of termination and renewal of Franchise Owner's franchise. There may also be court decisions which may supersede this Agreement in Franchise Owner's relationship with us including the area of termination and renewal of Franchise Owner's franchise.

The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

In any arbitration involving a franchise purchased in Washington, the arbitration site will either be in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "**Act**"), Chapter 19.100 RCW, prevail.

A release or waiver of rights signed by Franchise Owner will not include rights under the Act except when signed pursuant to a negotiated settlement after the agreement(s) are in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees may be collected to the extent that they reflect our reasonable estimated or actual costs in effectuating a transfer.

**US:**

**BURGER 21 INTERNATIONAL, INC.**

By:____________________
Name:____________________
Title:____________________
Date:____________________

**FRANCHISE OWNER:**

**INDIVIDUALS:**

____________________
Name:____________________
Date:____________________

____________________
Name:____________________
Date:____________________

**OWNER:**

____________________

By:____________________
Name: ____________________
Title:____________________
Date:____________________

**WASHINGTON RIDER TO**
**BURGER 21 INTERNATIONAL, INC.**
**AREA DEVELOPMENT AGREEMENT**

The State of Washington has a statute, RCW 19.100.180, which may supersede this Agreement in Developer's relationship with us, including the area of termination and renewal of Developer's Area Development Agreement. There may also be court decisions which may supersede this Agreement in Developer's relationship with us including the area of termination and renewal of Developer's Area Development Agreement.

The payment of all initial fees to us is deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business.

In any arbitration involving a franchise purchased in Washington, the arbitration site will either be in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "**Act**"), Chapter 19.100 RCW, prevail.

A release or waiver of rights signed by Developer will not include rights under the Act except when signed pursuant to a negotiated settlement after the agreement(s) are in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees may be collected to the extent that they reflect our reasonable estimated or actual costs in effectuating a transfer.

**US:**

**BURGER 21 INTERNATIONAL, INC.**

By:____________________________
Name:__________________________
Title:___________________________
Date:___________________________

**DEVELOPER:**

**INDIVIDUALS:**

_______________________________
Name:__________________________
Date:___________________________

_______________________________
Name:__________________________
Date:___________________________

**OWNER:**

_______________________________

By:____________________________
Name: _________________________
Title:___________________________
Date:___________________________

**EXHIBIT L TO THE DISCLOSURE DOCUMENT**

**FORM OF**

**GENERAL RELEASE**

## RELEASE

**THIS RELEASE** is given by ________________________________________ and their predecessors, agents, affiliates, legal representatives, successors, assigns, heirs, beneficiaries, executors and administrators (collectively, "**you,**" "**your**" or "**Franchise Owner**"), to **BURGER 21 INTERNATIONAL, INC.**. and all of its predecessors, agents, affiliates, employees, legal representatives, successors, assigns, heirs, beneficiaries, executors and administrators (collectively, the "**we,**" "**us**" or "**our**").

Effective on the date of this Release, you forever releases and discharges us from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature or kind, in law or in equity, which you now have or ever had against us, including without limitation, anything arising out of that certain BURGER 21® Franchise Agreement dated ________________, the franchise relationships between you and us, and any other relationships between you and u; except our obligations under the Franchise Agreement dated effective ________________ and the franchise relationship between you and us after ________________________. This Release is effective for: (a) any and all claims and obligations, including those of which you are not now aware; and (b) all claims you have from anything which has happened up to now.

You are bound by this Release. You freely and voluntarily give this Release to us for good and valuable consideration and we acknowledge its receipt and sufficiency.

You represent and warrant to us that you have not assigned or transferred to any other person any claim or right you had or now have relating to or against us.

In this Release, each pronoun includes the singular and plural as the context may require.

This Release is governed by Florida law.

This Release is effective ________________________ notwithstanding the actual date of signatures.

**IN WITNESS WHEREOF**, the undersigned execute this Release:

By: ________________________________
Name: ________________________________
Title: ________________________________
Date: ________________________________

________________________________
Date: ________________________________

STATE OF ________________________)
COUNTY OF ________________________)

The foregoing instrument was acknowledged before me this _____ day of ________________, 20___, by ________________________________, as ________________________________ of ________________________________, a ________________________________, on behalf of the ________________. He/she is personally known to me or has produced ________________________________ as identification.

________________________________
Signature of Notary
Printed Name of Notary ________________
Notary Public, State of ________________
Serial Number of Notary ________________

STATE OF ________________________)
COUNTY OF ________________________)

The foregoing instrument was acknowledged before me this _____ day of ________________, 20___, by ________________________ who is personally known to me or has produced ________________ as identification.

________________________________
Signature of Notary
Printed Name of Notary ________________
Notary Public, State of ________________
Serial Number of Notary ________________

**EXHIBIT M TO THE DISCLOSURE DOCUMENT**

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**FORM OF**

**FRANCHISE COMPLIANCE CERTIFICATE**

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# FRANCHISE COMPLIANCE CERTIFICATION

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. **Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement and/or Area Development Agreement.** Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement and/or Area Development Agreement, and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

   Yes ______ No ______

2. Did you receive the Franchise Agreement and/or Area Development Agreement, and each related agreement, containing all material terms, at least 7 days before signing any binding agreement (other than any deposit agreement) with us or an affiliate?*

   Yes ______ No ______

   * This does not include changes to any agreement mutually agreed upon.

3. Do you understand all of the information contained in the Franchise Agreement and/or Area Development Agreement, and each Addendum (if any) and related agreement provided to you?

   Yes ______ No ______

   If No, what parts of the Franchise Agreement and/or Area Development Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

   ______________________________________________

   ______________________________________________

   ______________________________________________

4. Have you received and personally reviewed our Franchise Disclosure Document ("**FDD**") that was provided to you?

   Yes ______ No ______

5. Did you receive the FDD at least 14 days before signing the Franchise Agreement and/or Area Development Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

   Yes ______ No ______

6. Did you sign (or e-sign) a receipt for the FDD indicating the date you received it?

   Yes ______ No ______

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

   Yes ______ No ______

   If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

   ______________________________________________

   ______________________________________________

8. Have you discussed the benefits and risks of purchasing a BURGER 21® Restaurant franchise with an attorney, accountant or other professional advisor?

Yes ______ No ______

If No, do you wish to have more time to do so?

Yes ______ No ______

9. Do you understand that the success or failure of your BURGER 21® Restaurant franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes ______ No ______

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a BURGER 21® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a BURGER 21® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a BURGER 21® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

13. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

14. If you have answered "Yes" to any one of questions 11-13, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

______________________________________________

______________________________________________

______________________________________________

15. Do you understand that the Franchise Agreement and/or Area Development Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the BURGER 21® Restaurant franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement and/or Area Development Agreement, Addendum (if any) or related agreements will not be binding?*

Yes ______ No ______

Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

16. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement and/or Area Development Agreement, Addendum (if any) and related agreements can be relied upon?

Yes ______ No ______

17. You signed the Franchise Agreement and/or Area Development Agreement, and Addendum (if any) and related agreements on __________, 20__, and acknowledge that no agreement or addendum is effective until signed and dated by us.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below for the "**Franchisee Applicant**" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

______________________________
Signature

______________________________
Printed Name

______________________________, 20___
Date

______________________________
Signature

______________________________
Printed Name

______________________________, 20___
Date

______________________________
Signature

______________________________
Printed Name

______________________________, 20___
Date

______________________________
Signature

______________________________
Printed Name

______________________________, 20___

**EXHIBIT N TO THE DISCLOSURE DOCUMENT**

**FORM OF UCC-1 FINANCING STATEMENT**

[redacted]

# UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

| | | | | |
|---|---|---|---|---|
| 1a. ORGANIZATION'S NAME | | | | |
| OR 1b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | | SUFFIX |
| 1c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY |

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

| | | | | |
|---|---|---|---|---|
| 2a. ORGANIZATION'S NAME | | | | |
| OR 2b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | | SUFFIX |
| 2c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY |

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

| | | | | |
|---|---|---|---|---|
| 3a. ORGANIZATION'S NAME | | | | |
| OR 3b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | | SUFFIX |
| 3c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY |

4. COLLATERAL: This financing statement covers the following collateral:

**Signage** – Any type of signage, interior or exterior, bearing in any form BURGER 21® logo, name or insignia; **Artwork** – Burger 21® Proprietary Artwork Package including vinyl B-ism wall treatments; **Burger Presses and Molds** – Any burger molds and presses used to shape our burger patties; **Branded Items, Retail Merchandise, Menus and Point of Sale Materials** – Any item bearing in any form BURGER 21® or associated logo, name or insignia, including, without limitation: retail merchandise; menus; table tents; napkins; and drinkware; **Hardware, Software and Customer Database** – Any software or hardware not available to the general public, especially including those items which are used by or have been created to be used by or communicate within BURGER 21® Franchise System. Any form of database, including the reservation book(s), which contain customer names and/or other miscellaneous customer information; **Operating Manuals, Recipes, Documents and Files** – Any manual, document or otherwise related form which is used by BURGER 21® Franchise system, including all BURGER 21® Standards Forms, files (including electronic files), Brand Standards Manual, Social Media Policy Manual, Quality Certification Inspections, InMoment Survey Reports, All Training Manuals, Kitchen Reference Manual, Operations Manual, and other operational manuals, internal releases and newsletters; **Trade Dress** – Any item of clothing, including aprons, bearing in any form BURGER 21® logo, name or insignia; **Products** – Any product that is supplied to the franchisee and not otherwise available to the general public. This also includes the containers and labels for BURGER 21® To-Go Items.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:

# UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR: Same as line 1a or 1b on Financing Statement; if line 1b was left blank because Individual Debtor name did not fit, check here ☐

| | |
|---|---|
| 9a. ORGANIZATION'S NAME | |
| | |
| OR 9b. INDIVIDUAL'S SURNAME | |
| FIRST PERSONAL NAME | |
| ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX |

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME: Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c

| | | | | |
|---|---|---|---|---|
| 10a. ORGANIZATION'S NAME | | | | |
| OR 10b. INDIVIDUAL'S SURNAME | | | | |
| INDIVIDUAL'S FIRST PERSONAL NAME | | | | |
| INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | | | | SUFFIX |
| 10c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY |

11. ☐ ADDITIONAL SECURED PARTY'S NAME or ☐ ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

| | | | | |
|---|---|---|---|---|
| 11a. ORGANIZATION'S NAME | | | | |
| OR 11b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX |
| 11c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY |

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

| | |
|---|---|
| 13. ☐ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS (if applicable) | 14. This FINANCING STATEMENT: ☐ covers timber to be cut ☐ covers as-extracted collateral ☐ is filed as a fixture filing |
| 15. Name and address of a RECORD OWNER of real estate described in item 16 (if Debtor does not have a record interest): | 16. Description of real estate: |

17. MISCELLANEOUS:

**EXHIBIT O TO THE DISCLOSURE DOCUMENT**

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**LIST OF CURRENT FRANCHISEES**

**AS OF**

**MARCH 28, 2017**

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**LIST OF FRANCHISEES AS OF MARCH 28, 2017**

**Opened Restaurants as of 3/28/17**

| STATE | FRANCHISEE NAME & MAILING ADDRESS | RESTAURANT STREET ADDRESS | RESTAURANT CITY | RESTAURANT STATE & ZIP CODE |
|---|---|---|---|---|
| FLORIDA | Mark Osheroff & Handre Hurwitt<br>16400 NW 2nd Avenue<br>North Miami Beach, FL 33169<br>PH: 305-965-0900 | 2451 S. University Drive | Davie | Florida 33324 |
| FLORIDA | Mark Osheroff & Handre Hurwitt<br>16400 NW 2nd Avenue<br>North Miami Beach, FL 33169<br>PH: 305-965-0900 | 2949 North Federal Highway STE 1 | Ft. Lauderdale | Florida 33306 |
| FLORIDA | Dennis Saller*<br>4192 Conroy Road, Suite 109<br>Orlando, FL 32839<br>PH: 407-203-2848 | 7171 Lake Andrew Drive | Melbourne | Florida 32940 |
| FLORIDA | Michael J. Signorelli<br>1Xiang Jiang Bei Lu, Beijing Riveria, Villa 65, Chaoyang District, Beijing 100103 China<br>PH: +86 1391 186 0562 | 3105 NE Silver Springs Blvd. | Ocala | Florida 34470 |
| FLORIDA | Dennis Saller*<br>4192 Conroy Road, Suite 109<br>Orlando, FL 32839<br>PH: 407-203-2848 | 4192 Conroy Road, Suite 10 | Orlando | Florida 32389 |
| GEORGIA | Chris Bastecki*<br>2020 Chasewood Way<br>Alpharetta, GA<br>PH: 203-606-5662 | 4279 Roswell Rd. NE | Buckhead | Georgia 30342 |
| GEORGIA | Corley and Meg Steward*<br>3385 Woodward Crossing Blvd., Suite 350<br>Buford, GA 30519<br>PH: 770-831-3240 | 3385 Woodward Crossing Blvd. | Buford | Georgia 30519 |
| GEORGIA | Corley and Meg Steward*<br>3385 Woodward Crossing Blvd., Suite 350<br>Buford, GA 30519<br>PH: 770-831-3240 | 11300 Medlock Bridge Road | John's Creek | Georgia 30097 |

| STATE | FRANCHISEE NAME & MAILING ADDRESS | RESTAURANT STREET ADDRESS | RESTAURANT CITY | RESTAURANT STATE & ZIP CODE |
|---|---|---|---|---|
| GEORGIA | David Brown & Corley Steward<br>313 Bershire Trace<br>Canton, GA 30115<br>PH: 678-878-9691 | 1300 Ernest W. Barrett Parkway #310 | Kennesaw | Georgia 30144 |
| ILLINOIS | Edward Karayanes and Art Chmiel<br>654 East Lane<br>Elk Grove, IL<br>PH: 847-877-6584 | 14650 South Lagrange Road | Orland Park | Illinois 60462 |
| MICHIGAN | Mohammad Samaha<br>4590 Shellbark Drive<br>Ypsilanti, MI<br>PH: 734-678-7777 | 26425 Novi Road, Suite F | Novi | Michigan 48375 |
| NEW JERSEY | Paul Campano<br>19 Coronado Lane<br>Egg Harbour Township, NJ 08234<br>PH: 609-233-5487 | 12109 Town Center Boulevard | Voorhees | New Jersey 08043 |
| NEW YORK | Bruce Anderson and Michael Stygles<br>9 Sonat Road<br>Clifton, Park, NY 12065<br>PH: 518-218-6406 | 622 Loudon Road STE 1 | Latham | New York 12110 |
| NORTH CAROLINA | Brian Neel and Todd Dennis<br>14825 Ballantyne Village Way<br>Charlotte, NC 28277<br>PH: 704-900-5645 | 14825 Ballantyne Village Way | Ballantyne | North Carolina 28277 |
| NORTH CAROLINA | Mitch Neal and Keith Smith<br>125 Jeffers Drive<br>Louisburg, NC 27549<br>PH: 919-673-2673 | 14220 Bradford Greenn Square | Cary | North Carolina 27519 |
| NORTH CAROLINA | Mitch Neal and Keith Smith<br>125 Jeffers Drive<br>Louisburg, NC 27549<br>PH: 919-673-2673 | 6196 Falls of Neuse Road #116 | Raleigh | North Carolina 27609 |
| VIRGINIA | Ray Patel and Joseph Yu*<br>43800 Central Station Drive<br>Ashburn, VA 20147<br>PH: 703-726-0112 | 43800 Central Station Drive | Ashburn | Virginia 20147 |

| STATE | FRANCHISEE NAME & MAILING ADDRESS | RESTAURANT STREET ADDRESS | RESTAURANT CITY | RESTAURANT STATE & ZIP CODE |
|---|---|---|---|---|
| VIRGINIA | Ray Patel and Joseph Yu*<br>43800 Central Station Drive<br>Ashburn, VA 20147<br>PH: 703-726-0112 | **21305 Windmill Parc Drive #160** | Sterling | Virginia 20166 |

**Restuarants Not Yet Opened as of 3/28/17**

| STATE | FRANCHISEE NAME & MAILING ADDRESS | RESTAURANT STREET ADDRESS | RESTAURANT CITY | RESTAURANT STATE & ZIP CODE |
|---|---|---|---|---|
| ARKANSAS | Allen Hurst & Lori Hurst<br>9425 High Cliffe St.<br>Highlands Ranch, NC<br>PH: 303-52-3200 | Restaurant not yet opened | Little Rock | Arkansas |
| FLORIDA | John and Brandi Porter<br>1443 NE 57th Street<br>Ft. Lauderdale, FL 33334<br>PH: 813-774-2622 | Restaurant not yet opened | Boca Raton | Florida |
| FLORIDA | Barry Berkowitz and Brian Marshall*<br>3613 E. Forest Lake Circle<br>Sarasota, FL 34232<br>PH: 703-906-5713 | Restaurant not yet opened | Sarasota | Florida |
| FLORIDA | Barry Berkowitz and Brian Marshall*<br>3613 E. Forest Lake Circle<br>Sarasota, FL 34232<br>PH: 703-906-5713 | Restaurant not yet opened | Sarasota | Florida |
| GEORGIA | Paul Kim<br>2254 Taylor Grady Terrace<br>Duluth, GA 30097<br>PH: 676-665-2677 | Restaurant not yet opened | Athens | Georgia |
| NEW MEXICO | Christein Zalesiak<br>1624 Los Alamos Avenue, SW<br>Albuquerque, NM 87104<br>PH: 505-238-6084 | Restaurant not yet opened | Albuquerque | New Mexico |
| TEXAS | Jesus Cavazos<br>2802 San Miguel<br>Mission, TX<br>PH: 956-570-6861 | Restaurant not yet opened | Austin | Texas |

| STATE | FRANCHISEE NAME & MAILING ADDRESS | RESTAURANT STREET ADDRESS | RESTAURANT CITY | RESTAURANT STATE & ZIP CODE |
|---|---|---|---|---|
| TEXAS | Jesus Cavazos<br>2802 San Miguel<br>Mission, TX<br>PH: 956-570-6861 | Restaurant not yet opened | McAllen | Texas |

* These franchisees have signed area development agreements committing to open mutliple restaurants over a period of time.

**EXHIBIT P TO THE DISCLOSURE DOCUMENT**

**LIST OF FORMER FRANCHISEES**

The following is a list of franchisees whose franchise agreements have either been terminated, canceled, not renewed or who otherwise have left the system during the 12-month period ending March 28, 2017, or who have not communicated with us within 10 weeks of October 1, 2017.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

| STATE | FRANCHISEE NAME, CITY AND TELEPHONE NUMBER | RESTAURANT LOCATION (CITY AND STATE) | REASON FOR LEAVING SYSTEM |
|---|---|---|---|
| Florida | M. Sulei Hessami<br>Ft. Myers, FL 33913<br>PH: 239-770-0822 | 9902 Gulf Coast Main Street #150<br>Ft. Myers, FL 33913 | Closed |
| Florida | Daniel Torres<br>Orlando, FL 32817<br>PH: 407-985-3541 | 11551 University Blvd.<br>Orlando, FL | Closed |
| Georgia | Alex Kim<br>Snellville, GA<br>PH: 470-238-3772 | 1575 Scenic Hwy<br>Snellville, GA 30078 | Terminated |
| Pennsylvania | Chad Brooks<br>Corapolis, PA<br>PH: 412-215-5174 | 4860 McKnight Road<br>Pittsburgh, PA 15237 | Closed |
| Texas | Wade Googe, Jr.<br>Frisco, TX<br>PH: 469-995-1913 | 5757 Main Street, Suite 100<br>Frisco, TX 75034 | Closed |

**EXHIBIT Q TO THE DISCLOSURE DOCUMENT**

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## RECEIPTS

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One Receipt must be signed, dated and delivered to us. The other Receipt should be retained for your records.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement, area development agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Burger 21 International, Inc. offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If Burger 21 International, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit "J" to this disclosure document).

The franchisor is Burger 21 International, Inc., located at 8810 Twin Lakes Blvd., Tampa, Florida 33614. Its telephone number is (813) 327-7870.

We authorize the respective state agencies identified on Exhibit "I" to receive service of process for us if we are registered in the particular state.

Issuance Date: October 1, 2017.

The name, principal business address, and telephone number of the franchise seller(s) offering the franchise is/are:

| Name | Principal Business Address | Telephone Number |
|---|---|---|
| □ Mark T. Johnston | 8810 Twin Lakes Blvd., Tampa, FL 33614 | 813-327-7870 |
| □ Jim Sullivan | 8810 Twin Lakes Blvd., Tampa, FL 33614 | 813-327-7870 |
| □ Arlene Johnston | 8810 Twin Lakes Blvd., Tampa, FL 33614 | 813-327-7870 |

I received a disclosure document dated October 1, 2017 (the state effective dates are listed on the pages preceding the table of contents). The disclosure document included the following Exhibits:

| | |
|---|---|
| Exhibit A | Financial Statements |
| Exhibit B | Franchise Agreement |
| Exhibit C | Development Agreement |
| Exhibit D | Conditional Assignment of Telephone Numbers and Listings |
| Exhibit E | Collateral Assignment and Assumption of Lease and Lease Rider |
| Exhibit F-1 | Noncompete Agreement |
| Exhibit F-2 | Confidentiality Agreement |
| Exhibit G | Manuals Table of Contents |
| Exhibit H | Principal Owner's Guaranty |
| Exhibit I | Principal Owner's Statement |
| Exhibit J | List of State Agencies/Agents for Service of Process |
| Exhibit K | State Addenda and Riders |
| Exhibit L | Form of General Release |
| Exhibit M | Franchise Compliance Certificate |
| Exhibit N | Form of UCC-1 Financing Statement |
| Exhibit O | List of Current Franchisees |
| Exhibit P | List of Former Franchisees |
| Exhibit Q | Receipts |

Dated:____________________

____________________
Individually and as an Officer

____________________
Printed Name

of____________________
(a______________Corporation)
(a______________Partnership)
(a______________Limited Liability Company)

**[Keep this page for your records]**

## RECEIPT

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If Burger 21 International, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit "J" to this disclosure document).

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| ☐ Jim Sullivan | 8810 Twin Lakes Blvd., Tampa, FL 33614 | 813-327-7870 |
| ☐ Arlene Johnston | 8810 Twin Lakes Blvd., Tampa, FL 33614 | 813-327-7870 |

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| | |
|---|---|
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| Exhibit O | List of Current Franchisees |
| Exhibit P | List of Former Franchisees |
| Exhibit Q | Receipts |

Dated:____________________

______________________________
Individually and as an Officer

______________________________
Printed Name

of______________________________
(a____________________Corporation)
(a____________________Partnership)
(a____________________Limited Liability Company)

**[Sign and return this page]**